

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PENNSYLVANIA
Financial Report
December 31, 2022**

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PENNSYLVANIA
December 31, 2022

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Independent Auditors' Report

To the Board of Commissioners
Hatfield Township
Hatfield, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

We have audited the 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 (the Township), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Township's primary government as listed in the table of contents.

Unmodified Opinions on the Governmental Activities, Business-Type Activities, Major Funds, and Aggregate Remaining Fund Information

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the primary government of the Township, as of December 31, 2022, 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.

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 the Township, as of December 31, 2022, the changes in its financial position or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. In accordance with accounting principles generally accepted in the United States of America, the Township has issued separate reporting entity financial statements, which were audited by other accounting firms. At this time, the component units' audit reports for the year ended December 31, 2022, are not complete.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Township and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on the Reporting Entity

The financial statements referred to above include only the primary government of the Township, which consists of all funds, organizations, institutions, agencies, 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.

Responsibilities of Management for the Financial Statements

The Township's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Township's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required information on pages 4-13 and 76-89 be presented to supplement the basic financial statements. Such information is the responsibility of management, and although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's primary government basic financial statements. The schedules of revenues, expenses, and changes in fund balances-budget and actual, and the combining and individual nonmajor and pension trust fund financial statements are presented for purposes of additional analysis and are not a required part of the primary government's basic financial statements.

The schedules of revenues, expenses, and changes in fund balances-budget and actual, and the combining and individual nonmajor and pension trust fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Because of the significance of the matter described in the Basis for Adverse Opinion on the Reporting Entity paragraph, it is inappropriate to and we do not express an opinion on such supplementary information.

DunlapSLK, PC

Chalfont, Pennsylvania
September 20, 2023

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2022

This discussion and analysis of Hatfield Township's (the Township) financial performance provide an overview of the Township's financial activities for the year ended December 31, 2022. Please read it in conjunction with the Township's financial statements, which begins after the Management Discussion and Analysis.

FINANCIAL HIGHLIGHTS

- Hatfield Township's financials were strong in 2022. In 2023, the Township passed a budget with a zero percent increase for the 9th consecutive year.
- Overall revenue increased 9.3%. The Earned Income Tax increased 15% from 2021 to 2022, showing that wages are up within the Township.
- Hatfield Township Long Term Debt Obligations at the end of 2022 was approximately \$3.4 million.

USING THIS REPORT

This report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 14 and 15-16) 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 17. 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) provides 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, 2022

USING THIS REPORT (continued)

Reporting Significant Funds

The fund financial statements begin on page 17 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 26 and 27. 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, 2022

THE TOWNSHIP AS A WHOLE (continued)

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

	2022	2021	\$ Change	% Change
Capital Assets	\$ 37,514,650	\$ 38,005,240	\$ (490,590)	(1.29)%
Current and Other Assets	13,623,559	12,192,721	1,430,838	11.74%
Total Assets	<u>51,138,209</u>	<u>50,197,961</u>	<u>940,248</u>	1.87%
Deferred Outflows of Resources	<u>6,289,901</u>	<u>980,086</u>	<u>5,309,815</u>	541.77%
Long-Term Liabilities	9,416,756	5,068,521	4,348,235	85.79%
Other Liabilities	957,953	992,559	(34,606)	(3.49)%
Total Liabilities	<u>10,374,709</u>	<u>6,061,080</u>	<u>4,313,629</u>	71.17%
Deferred Inflows of Resources	<u>4,295,134</u>	<u>4,367,585</u>	<u>(72,451)</u>	(1.66)%
Net Position				
Invested in Capital Assets,				
Net of Related Debt	33,931,754	33,807,803	123,951	0.37%
Restricted	5,247,711	4,115,082	1,132,629	27.52%
Unrestricted	<u>3,578,802</u>	<u>2,826,497</u>	<u>752,305</u>	26.62%
Total Net Position	<u>\$ 42,758,267</u>	<u>\$ 40,749,382</u>	<u>\$ 2,008,885</u>	4.93%

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2022

THE TOWNSHIP AS A WHOLE (continued)

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

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Program Revenues				
General Government	\$ 417,166	\$ 405,443	\$ 11,723	2.89%
Police	1,338,041	1,374,108	(36,067)	(2.62)%
Fire	279,322	190,857	88,465	46.35%
Code Enforcement	1,379,421	822,863	556,558	67.64%
Highway Maintenance	1,228,255	2,068,387	(840,132)	(40.62)%
Snow Removal	2,620	2,900	(280)	(9.66)%
Parks and Recreation	574,000	368,346	205,654	55.83%
Pool	761,370	303,530	457,840	100.00%
General Revenues				
Real Estate Taxes	5,158,401	5,100,360	58,041	1.14%
Transfer Taxes	1,025,572	780,681	244,891	31.37%
Earned Income Taxes	3,949,444	3,433,923	515,521	15.01%
Other Taxes	822,168	717,603	104,565	14.57%
Grants and Contributions	46,863	26,850	20,013	74.54%
Interest and Rents	69,632	22,832	46,800	204.98%
Gain on Disposal of Equipment	16,971	15,322	1,649	10.76%
Miscellaneous	306,456	267,551	38,905	14.54%
Total Revenues (forwarded)	<u>\$ 17,375,702</u>	<u>\$ 15,901,556</u>	<u>\$ 1,474,146</u>	9.27%

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2022

THE TOWNSHIP AS A WHOLE (continued)

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

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Total Revenues (forwarded)	<u>\$ 17,375,702</u>	<u>\$ 15,901,556</u>	<u>\$ 1,474,146</u>	9.27%
Program Expenses				
Finance and Tax Collection	268,701	250,858	17,843	7.11%
Professional Services	377,343	317,516	59,827	18.84%
General Government	1,542,647	1,303,568	239,079	18.34%
Police	7,018,399	5,476,405	1,541,994	28.16%
Fire	724,937	635,877	89,060	14.01%
Code Enforcement and Zoning	593,173	459,564	133,609	29.07%
Highway Maintenance	3,191,635	3,124,447	67,188	2.15%
Snow and Ice Removal	44,849	60,503	(15,654)	(25.87)%
Street Lighting	64,012	54,555	9,457	17.33%
Parks and Recreation	485,337	550,798	(65,461)	(11.88)%
Pool	1,055,784	723,540	332,244	45.92%
Total Expenses	<u>15,366,817</u>	<u>12,957,631</u>	<u>2,409,186</u>	18.59%
Change in Net Position	<u><u>\$ 2,008,885</u></u>	<u><u>\$ 2,943,925</u></u>	<u><u>\$ (935,040)</u></u>	(31.76)%

Revenue Overview

Overall Revenues increased from 2021 to 2022 by approximately \$1.5 million, 9.27%.

- Transfer Tax revenue was over a \$1 million for the first time in Township history. This was due to 3 large developments that were actively building during the year.
- The increase in new home construction increased the Township's Earned Income Tax base which increased by \$500,000 (15%).
- As a result of the real estate gains in 2022, the Code Enforcement department saw a \$550,000 increase (68%) as the demand for buildings increased with the new construction.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2022

THE TOWNSHIP AS A WHOLE (continued)

Figure 1

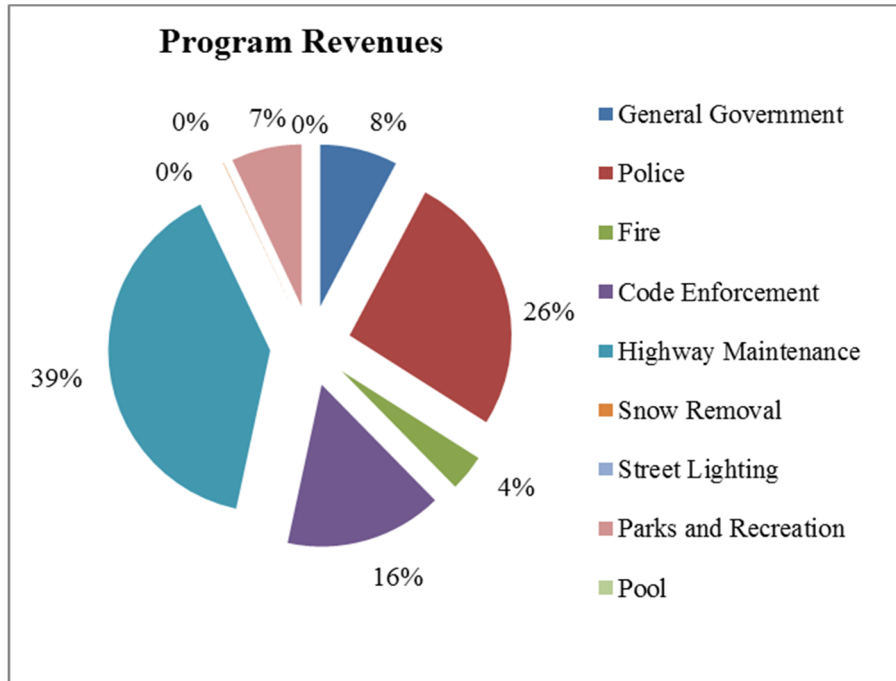
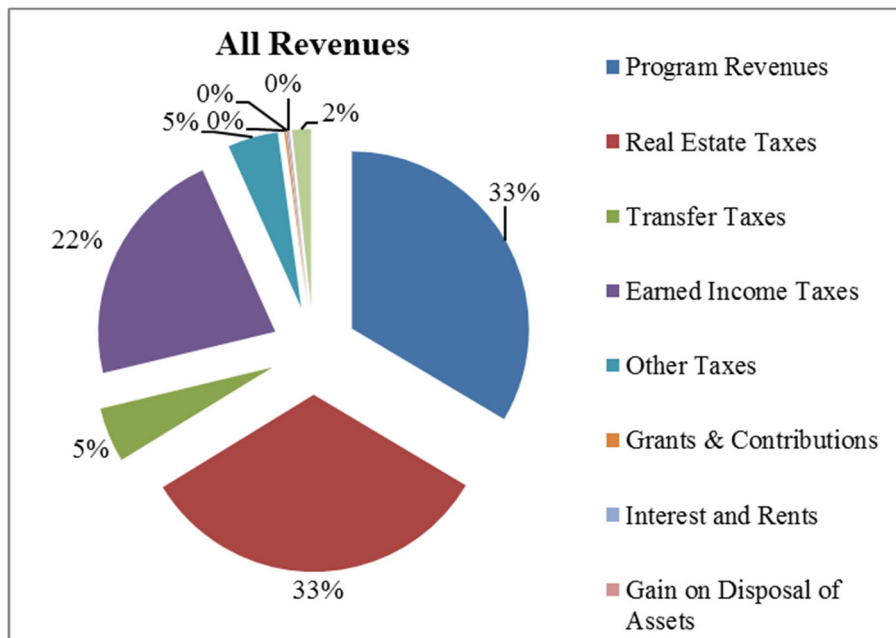


Figure 2



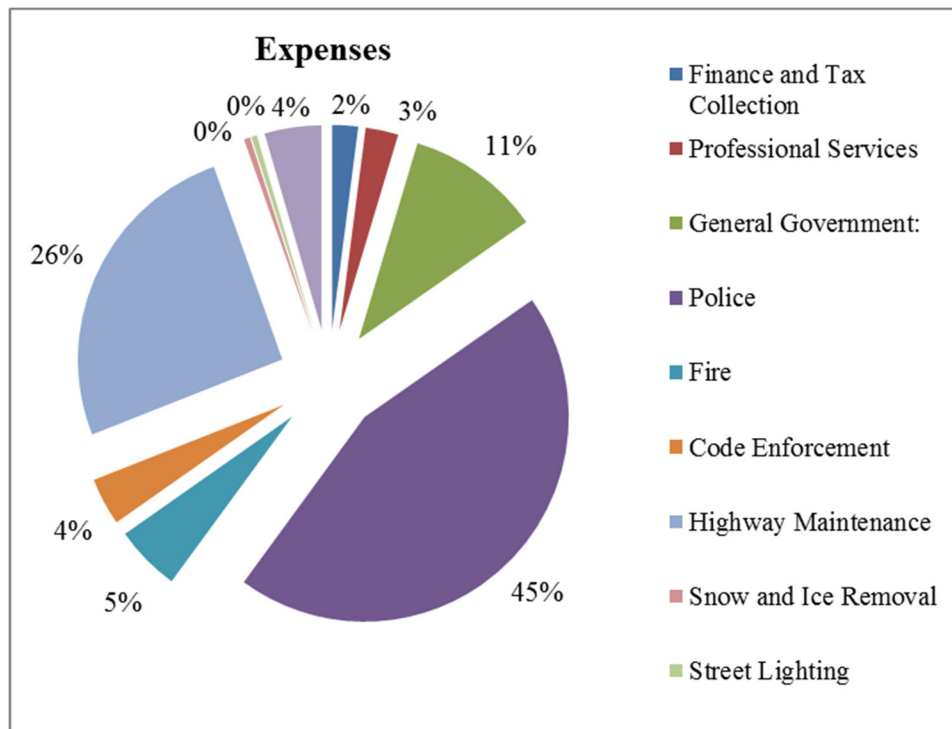
**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2022**

THE TOWNSHIP AS A WHOLE (continued)

Expense Overview

Total expenses increased in 2022 by 18.6%, which is a result of increase spending following the belt tightening policies following the 2020-2021 Covid outbreak. In 2020, as Covid shutdowns started in March, the Township delayed all major capital projects to conserve cash due to the uncertainties. In 2021, it kept these belt tightening strategies in place due the uncertainties of Covid when the budget was put together in October 2020. However, since the economy rebounded in 2021, the Township resumed spending on large capital projects and rehired open positions to bring staffing levels up to normal levels from 2019.

Figure 3



HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2022

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 and the Colmar 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 located within the Township. The Township collects and distributes a 0.62 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 several parks and scattered open space parcels. Chief among the parks are Hatfield Community Park, School Road Park, Clemens Park, Schweiker Park, an Arboretum, and a Nature Area. In April 2004, the Township purchased a new facility for Public Works that can meet its needs well into the future. In March 2005, the Township opened a new administration building. Finally, the Police Department building, erected in 1979, is still in service today, with minor renovations to keep it up to date. In 2017, the Township renovated a portion of the public works building to accommodate the police detective's unit. In September of 2020, the Township purchased land on Cowpath Road and will begin construction in 2024 of a new police station.

ANALYSIS OF INDIVIDUAL FUNDS

General Fund

At the end of 2022, Hatfield Township maintained adequate cash reserves of 15% in accordance with GFOA best practice standards.

Other Funds

Significant other funds include the Capital Reserve, Parks and Recreation, State Highway Aid, Debt Service, Pool, Recycling, Impact Fees, Equipment Reserve, and Fire Funds.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2022

ANALYSIS OF INDIVIDUAL FUNDS (continued)

Capital Reserve Fund

The Township purchased two new cars for the Police Department.

Parks and Recreation Fund

In 2016, the Township started adding to the Frick's Trail, that was completed in 2023. The Township has two parks, School Road Park and Clemens Road Park.

State Aid Fund

The Township receives money from the state, which is part of the gasoline tax you pay at the pump. This money is strictly spent on paving the Township roads and maintaining its equipment to maintain the roads. The Township receives about \$550,000 yearly from the state for this fund.

Fire Fund

The Fire Fund relies on a 0.62 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 opened in 2007. In 2023, the pool was named one of Pennsylvania's Top 10 public pools.

Pension Plans

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Planning

The Township is currently planning to build a new police station with a future debt cost projected to be around \$16 million.

Debt

The Township has a low debt balance of \$3.4 million. Part of the property taxes paid to the Township is dedicated to paying this debt.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2022

ECONOMIC FORECAST

In 2022, the Township was returning to normal operations as the overall economy improved and revenues increased. The tax base within the Township has grown significantly with the addition of over 300 homes and its biggest employer expanding its operations. The Township is in the process of building a new police station which will increase the Debt Service Tax in the future.

The solid financial results from 2022 resulted in the Township not raising taxes in 2023 for the 9th consecutive year. This has left the Township in a great position to start dealing with adverse economic conditions that are causing problems in our nation, which are maintaining employee numbers, high-interest rates, and inflation. The Township has experienced its highest level of retirements during the past year and is working on hiring new employees to replace those who have left. This has caused wages to increase within the Township to help it remain competitive in the job market.

The increase in interest rates from under 1% in 2020 to over 7% in 2023 is causing negative economic stress for the Township. The high interest rate has slowed the overall economy, causing the Township Pension's plan to miss its growth targets which will result in higher pension payments in the future. The higher rates will increase the Township's future debt service to fund the building of its new police station. All of the current debt has an interest rate under 2%; however, with rates over 6%, the new debt service for the police station will be higher than the current debt service tax, which will cause the Township's tax rate to increase.

High inflation during the past year has dramatically increased the overall cost of everything. The projected building of the police station has increased by about 20% since 2021 due to material and labor increases due to inflation. The Township's insurance policies, which have, on average, increased by 2.5% per year, are expected to increase by around 10% in 2024. The purchasing of capital equipment has increased by 20% as inflation and a decrease in production have increased the price of everything.

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 (dbernhouser@hatfield.org), and Township Manager, Aaron Bibro. They can be reached at 215-855-0900 (phone), 215-855-0243 (fax), or www.hatfield.org (internet).

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Statement of Net Position
December 31, 2022

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 10,946,776	\$ 163,669	\$ 11,110,445
Taxes and Other Receivables	1,819,828	100	1,819,928
Prepaid Expenses	22,956	-	22,956
Internal Balances	11,607	(11,607)	-
Due from Fiduciary Funds	189,906	-	189,906
Total Current Assets	<u>12,991,073</u>	<u>152,162</u>	<u>13,143,235</u>
Noncurrent Assets			
Net Capital Assets	32,918,291	4,596,359	37,514,650
Fair Value of Derivative Instrument	369,035	111,289	480,324
Total Noncurrent Assets	<u>33,287,326</u>	<u>4,707,648</u>	<u>37,994,974</u>
Total Assets	<u>46,278,399</u>	<u>4,859,810</u>	<u>51,138,209</u>
Deferred Outflows of Resources			
Pension and Other Post-Employment Benefit Outflows	<u>6,289,901</u>	<u>-</u>	<u>6,289,901</u>
Liabilities			
Current Liabilities			
Current Portion of General Obligation Notes	342,000	163,000	505,000
Current Portion of Equipment Notes Payable	92,980	-	92,980
Accounts Payable and Accrued Expenses	134,685	2,506	137,191
Accrued Wages and Payroll Taxes	222,782	-	222,782
Total Current Liabilities	<u>792,447</u>	<u>165,506</u>	<u>957,953</u>
Noncurrent Liabilities			
General Obligation Notes Payable	1,683,000	1,236,000	2,919,000
Equipment Notes Payable	65,916	-	65,916
Compensated Absences	216,119	-	216,119
Net Pension Liability	4,871,921	-	4,871,921
Other Post-Employment Benefits	1,343,800	-	1,343,800
Total Noncurrent Liabilities	<u>8,180,756</u>	<u>1,236,000</u>	<u>9,416,756</u>
Total Liabilities	<u>8,973,203</u>	<u>1,401,506</u>	<u>10,374,709</u>
Deferred Inflows of Resources			
Pension Inflows	2,219,174	-	2,219,174
Deferred Grant Revenue	1,438,986	156,650	1,595,636
Accumulated Increase in Fair Value of Derivative	369,035	111,289	480,324
Total Deferred Inflows of Resources	<u>4,027,195</u>	<u>267,939</u>	<u>4,295,134</u>
Net Position			
Invested in Capital Assets, Net of Related Debt	30,734,395	3,197,359	33,931,754
Restricted for Capital Projects	3,830,213	506	3,830,719
Restricted for Other	1,416,992	-	1,416,992
Unrestricted	<u>3,586,302</u>	<u>(7,500)</u>	<u>3,578,802</u>
Total Net Position	<u>\$ 39,567,902</u>	<u>\$ 3,190,365</u>	<u>\$ 42,758,267</u>

See notes to financial statements.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Statement of Activities
Year Ended December 31, 2022

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government				
Finance and Tax Collection	\$ 268,701	\$ -	\$ -	\$ -
Professional Fees	377,343	-	-	-
General Government	1,542,647	318,916	98,250	-
Public Safety				
Police	7,018,399	1,034,275	303,766	-
Fire	724,937	127,790	151,532	-
Code Enforcement and Zoning	593,173	1,360,327	19,094	-
Highways				
Highway Maintenance	3,191,635	-	570,488	657,767
Snow and Ice Removal	44,849	2,620	-	-
Street Lighting	64,012	-	-	-
Parks and Recreation	485,337	85,524	117,816	370,660
Total Governmental Activities	14,311,033	2,929,452	1,260,946	1,028,427
Business-Type Activities				
Pool	1,055,784	660,707	-	100,663
Total	<u>\$ 15,366,817</u>	<u>\$ 3,590,159</u>	<u>\$ 1,260,946</u>	<u>\$ 1,129,090</u>

General Revenues
Real Estate Taxes
Other Taxes
Grants and Contributions
Investment Income and Rents
Miscellaneous
Gain on Disposal 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		
Governmental Activities	Business-type Activities	Total
\$ (268,701)	\$ -	\$ (268,701)
(377,343)	-	(377,343)
(1,125,481)	-	(1,125,481)
(5,680,358)	-	(5,680,358)
(445,615)	-	(445,615)
786,248	-	786,248
(1,963,380)	-	(1,963,380)
(42,229)	-	(42,229)
(64,012)	-	(64,012)
88,663	-	88,663
(9,092,208)	-	(9,092,208)
-	(294,414)	(294,414)
(9,092,208)	(294,414)	(9,386,622)
5,158,401	-	5,158,401
5,797,184	-	5,797,184
46,863	-	46,863
69,632	-	69,632
306,456	-	306,456
16,971	-	16,971
(347,519)	347,519	-
11,047,988	347,519	11,395,507
1,955,780	53,105	2,008,885
37,612,122	3,137,260	40,749,382
<u>\$ 39,567,902</u>	<u>\$ 3,190,365</u>	<u>\$ 42,758,267</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Balance Sheet
Governmental Funds
December 31, 2022

	<u>General Fund</u>	<u>Recycling Fund</u>	<u>Debt Service Fund</u>
Assets			
Cash and Cash Equivalents	\$ 4,377,959	\$ 2,703,204	\$ 1,186,215
Taxes Receivable	1,588,843	-	27,036
Grants and Other Receivables	148,752	-	997
Prepaid Expenses	22,956	-	-
Due from Other Funds	222,034	-	7,737
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u><u>\$ 6,360,544</u></u>	<u><u>\$ 2,703,204</u></u>	<u><u>\$ 1,221,985</u></u>
 Liabilities and Fund Balances			
Liabilities			
Accounts Payable and Accrued Expenses	\$ 132,520	\$ -	\$ 558
Accrued Wages and Payroll Taxes	219,661	-	-
Due to Other Funds	42,802	-	-
Total Liabilities	<u>394,983</u>	<u>-</u>	<u>558</u>
 Deferred Inflows of Resources			
Deferred Tax Receipts	557,206	-	15,033
Deferred Grant Revenue	-	1,438,986	-
Total Deferred Inflows of Resources	<u>557,206</u>	<u>1,438,986</u>	<u>15,033</u>
 Fund Balances			
Nonspendable	22,956	-	-
Restricted	-	-	528,629
Assigned	-	1,264,218	677,765
Unassigned	5,385,399	-	-
Total Fund Balances	<u>5,408,355</u>	<u>1,264,218</u>	<u>1,206,394</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u><u>\$ 6,360,544</u></u>	<u><u>\$ 2,703,204</u></u>	<u><u>\$ 1,221,985</u></u>

See notes to financial statements.

Impact Fees Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,183,423	\$ 1,495,975	\$ 10,946,776
-	54,200	1,670,079
-	-	149,749
-	-	22,956
-	17,926	247,697
<u>\$ 1,183,423</u>	<u>\$ 1,568,101</u>	<u>\$ 13,037,257</u>

\$ -	\$ 1,607	\$ 134,685
-	3,121	222,782
-	3,382	46,184
<u>-</u>	<u>8,110</u>	<u>403,651</u>

-	18,194	590,433
-	-	1,438,986
<u>-</u>	<u>18,194</u>	<u>2,029,419</u>

-	-	22,956
1,176,451	125,239	1,830,319
6,972	1,416,558	3,365,513
-	-	5,385,399
<u>1,183,423</u>	<u>1,541,797</u>	<u>10,604,187</u>
<u>\$ 1,183,423</u>	<u>\$ 1,568,101</u>	<u>\$ 13,037,257</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2022

Total Governmental Fund Balances	\$ 10,604,187
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 \$23,291,187.	32,918,291
Other Long-Term Assets Are Not Available to Pay Current Period Expenditures, and Therefore Are Deferred in the Funds.	
Taxes Receivable	590,433
Fair Value of Derivative Instruments	369,035
Deferred Pension and Other Post-Employment Benefit Outflows of Resources Are Not Available in the Current Period	6,289,901
Long-Term Liabilities Are Not Due and Payable in the Current Period, and, Therefore, Are Not Reported in the Funds.	
General Obligation Note Payable	(2,025,000)
Equipment Notes Payable	(158,896)
Compensated Absences	(216,119)
Net Pension Liability	(4,871,921)
Other Post-Employment Benefits	(1,343,800)
Deferred Accumulated Increase in Fair Value of Derivative Instrument	(369,035)
Deferred Pension Inflows of Resources Are Not Available in the Current Period	(2,219,174)
Net Position of Governmental Activities	<u><u>\$ 39,567,902</u></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, 2022

	<u>General Fund</u>	<u>Recycling Fund</u>	<u>Debt Service Fund</u>
Revenues			
Taxes	\$ 9,241,020	\$ -	\$ 666,460
Intergovernmental	616,921	37,494	27,776
Charges for Services	2,414,154	-	-
Fines, Licenses and Permits	384,036	-	-
Interest Income and Rents	63,682	-	-
Miscellaneous Revenues	162,249	347,759	-
Total Revenues	<u>12,882,062</u>	<u>385,253</u>	<u>694,236</u>
Expenditures			
General Government	1,469,521	-	-
Public Safety	5,226,754	-	-
Public Works	1,461,601	12,460	-
Parks and Recreation	-	29,187	-
Debt Service - Principal	12,158	-	335,000
Debt Service - Interest	1,734	-	36,259
Capital Expenditures	210,066	-	-
Insurance and Employee Benefits	2,769,201	-	-
Miscellaneous Governmental	34,823	-	-
Total Expenditures	<u>11,185,858</u>	<u>41,647</u>	<u>371,259</u>
Excess (Deficiency) of Revenues Over Expenditures	1,696,204	343,606	322,977
Other Financing Sources (Uses)			
Operating Transfers In (Out)	<u>(250,000)</u>	<u>(140,000)</u>	<u>(187,519)</u>
Net Change in Fund Balances	1,446,204	203,606	135,458
Fund Balances			
Beginning of Year	<u>3,962,151</u>	<u>1,060,612</u>	<u>1,070,936</u>
End of Year	<u><u>\$ 5,408,355</u></u>	<u><u>\$ 1,264,218</u></u>	<u><u>\$ 1,206,394</u></u>

See notes to financial statements.

Impact Fees Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 806,670	\$ 10,714,150
-	688,602	1,370,793
-	85,524	2,499,678
-	-	384,036
-	5,950	69,632
657,767	124,285	1,292,060
<u>657,767</u>	<u>1,711,031</u>	<u>16,330,349</u>
870	-	1,470,391
-	394,875	5,621,629
-	421,103	1,895,164
-	342,850	372,037
-	106,383	453,541
-	7,987	45,980
119,787	428,692	758,545
-	-	2,769,201
-	-	34,823
<u>120,657</u>	<u>1,701,890</u>	<u>13,421,311</u>
537,110	9,141	2,909,038
-	230,000	(347,519)
537,110	239,141	2,561,519
646,313	1,302,656	8,042,668
<u>\$ 1,183,423</u>	<u>\$ 1,541,797</u>	<u>\$ 10,604,187</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, 2022**

Net Change in Fund Balances - Total Governmental Funds	\$ 2,561,519
Amounts Reported for Governmental Activities in the Statement of Activities Are Different Because	
Governmental Funds Report Capital Outlays As Expenditures. However, in the Statement of Activities, the Cost of Those Assets is Allocated Over Their Estimated Useful Lives as Depreciation Expense. This is the Amount By Which Capital Outlays of \$758,545 Was Exceeded by Depreciation Expense of \$1,146,400 in the Current Year.	(387,855)
Revenues in the Statement of Activities That Do Not Provide Current Financial Resources Are Not Reported As Revenues in the Funds.	
Taxes Receivable	283,983
Repayment of Notes Payable Is An Expenditure in the Governmental Funds, but the Repayment Reduces Liabilities in the Statement of Net Position.	453,541
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	(48,021)
Other Benefits Do Not Require the Use of Current Financial Resources and, Therefore, Are Not Reported as Expenditures in Governmental Funds.	
Deferred Pension and Other Post-Employment Benefit Outflows	5,309,815
Net Pension Liability	(7,323,553)
Other Post-Employment Benefits	(28,273)
Deferred Pension Inflows	1,134,624
Change in Net Position of Governmental Activities	<u><u>\$ 1,955,780</u></u>

See notes to financial statements.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Statement of Net Position
Proprietary Funds
December 31, 2022

	<u>Pool Fund</u>	<u>Pool Reserve Fund</u>	<u>Total</u>
Assets			
Current Assets			
Cash	\$ 6,513	\$ 157,156	\$ 163,669
Accounts Receivable	100	-	100
Total Current Assets	<u>6,613</u>	<u>157,156</u>	<u>163,769</u>
Noncurrent Assets			
Net Capital Assets	4,596,359	-	4,596,359
Fair Value of Derivative Instrument	111,289	-	111,289
Total Noncurrent Assets	<u>4,707,648</u>	<u>-</u>	<u>4,707,648</u>
Total Assets	<u>4,714,261</u>	<u>157,156</u>	<u>4,871,417</u>
Liabilities			
Current Liabilities			
Current Portion of General Obligation Note	163,000	-	163,000
Accounts Payable and Accrued Expenses	2,506	-	2,506
Due to Other Funds	11,607	-	11,607
Total Current Liabilities	<u>177,113</u>	<u>-</u>	<u>177,113</u>
Noncurrent Liabilities			
General Obligation Note Payable	1,236,000	-	1,236,000
Total Liabilities	<u>1,413,113</u>	<u>-</u>	<u>1,413,113</u>
Deferred Inflows of Resources			
Deferred Grant Revenue	-	156,650	156,650
Accumulated Increase in Fair Value of Derivative Instrument	111,289	-	111,289
Total Deferred Inflows of Resources	<u>111,289</u>	<u>156,650</u>	<u>267,939</u>
Net Position			
Invested in Capital Assets, Net of Related Debt	3,197,359	-	3,197,359
Unrestricted	<u>(7,500)</u>	<u>506</u>	<u>(6,994)</u>
Total Net Position	<u>\$ 3,189,859</u>	<u>\$ 506</u>	<u>\$ 3,190,365</u>

See notes to financial statements.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended December 31, 2022

	Pool Fund	Pool Reserve Fund	Total
Operating Revenues			
Charges and Fees	\$ 653,243	\$ -	\$ 653,243
Miscellaneous	7,464	-	7,464
Total Operating Revenues	<u>660,707</u>	<u>-</u>	<u>660,707</u>
Operating Expenses			
Salaries and Benefits	547,831	-	547,831
Depreciation	203,083	-	203,083
Snack Bar	74,983	-	74,983
Utilities	72,591	-	72,591
Repairs and Maintenance	50,581	315	50,896
Pool Supplies	41,277	-	41,277
Other Expenses	20,371	-	20,371
Office Supplies and Expenses	12,130	-	12,130
Uniforms	6,174	-	6,174
Total Operating Expenses	<u>1,029,021</u>	<u>315</u>	<u>1,029,336</u>
Operating Loss Before Nonoperating Revenues (Expenses)	<u>(368,314)</u>	<u>(315)</u>	<u>(368,629)</u>
Nonoperating Revenues (Expenses)			
Interest Expense	(26,448)	-	(26,448)
Intergovernmental Revenue	-	100,663	100,663
Transfers from (to) Other Funds	447,867	(100,348)	347,519
Total Nonoperating Revenues (Expenses)	<u>421,419</u>	<u>315</u>	<u>421,734</u>
Change in Net Position	53,105	-	53,105
Net Position			
Beginning of Year	<u>3,136,754</u>	<u>506</u>	<u>3,137,260</u>
End of Year	<u>\$ 3,189,859</u>	<u>\$ 506</u>	<u>\$ 3,190,365</u>

See notes to financial statements.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Statement of Cash Flows
Proprietary Funds - Pool Fund
Year Ended December 31, 2022

	Pool Fund	Pool Reserve Fund	Total
Cash Flows from Operating Activities			
Receipts from Customers	\$ 660,707	\$ 156,650	\$ 817,357
Payments to Suppliers	(277,355)	(315)	(277,670)
Payments to Employees	(540,846)	-	(540,846)
Net Cash Provided by (Used in) Operating Activities	<u>(157,494)</u>	<u>156,335</u>	<u>(1,159)</u>
Cash Flows from Noncapital Financing Activities			
Grants and Contributions	-	100,663	100,663
Transfers from (to) Other Funds	447,867	(100,348)	347,519
Net Cash Provided by Noncapital Financing Activities	<u>447,867</u>	<u>315</u>	<u>448,182</u>
Cash Flows from Capital and Related Financing Activities			
Purchase of Capital Assets	(100,348)	-	(100,348)
Principal Paid on Capital Debt	(161,000)	-	(161,000)
Interest Paid on Capital Debt	(26,448)	-	(26,448)
Net Cash Used in Capital and Related Financing Activities	<u>(287,796)</u>	<u>-</u>	<u>(287,796)</u>
Net Increase in Cash	2,577	156,650	159,227
Cash			
Beginning of Year	<u>3,936</u>	<u>506</u>	<u>4,442</u>
End of Year	<u><u>\$ 6,513</u></u>	<u><u>\$ 157,156</u></u>	<u><u>\$ 163,669</u></u>
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities			
Operating Loss	\$ (368,314)	\$ (315)	(368,629)
Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used in) Operating Activities			
Depreciation Expense	203,083	-	203,083
Change in Net Assets and Liabilities			
Accounts Payable and Accrued Expenses	752	-	752
Due to Other Funds	6,985	-	6,985
Deferred Grant Revenue	-	156,650	156,650
Net Cash Provided by (Used in) Operating Activities	<u><u>\$ (157,494)</u></u>	<u><u>\$ 156,335</u></u>	<u><u>\$ (1,159)</u></u>

See notes to financial statements.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Statement of Fiduciary Net Position
Pension Trust and Custodial Funds
December 31, 2022

	Pension Trust Funds	Custodial Funds
Assets		
Cash and Cash Equivalents	\$ 370,560	\$ 1,259,363
Investments	24,945,523	-
Prepaid Benefits	114,627	-
Due from Other Funds	-	24,370
	<u>-</u>	<u>24,370</u>
Total Assets	<u>25,430,710</u>	<u>1,283,733</u>
Liabilities		
Due to Other Funds	-	214,276
Accounts Payable	22,113	104,864
	<u>22,113</u>	<u>104,864</u>
Total Liabilities	<u>22,113</u>	<u>319,140</u>
Net Position		
Restricted for		
Held in Trust for Pension Benefits	25,408,597	-
Held for Individuals, Organizations and Others	-	964,593
	<u>-</u>	<u>964,593</u>
Total Net Position	<u><u>\$ 25,408,597</u></u>	<u><u>\$ 964,593</u></u>

See notes to financial statements.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Statement of Changes in Fiduciary Net Position
Pension Trust and Custodial Funds
Year Ended December 31, 2022

	Pension Trust Funds	Custodial Funds
Additions		
Contributions		
Plan Members	\$ 212,637	\$ -
State	440,338	-
Employer	55,641	-
Total Contributions	<u>708,616</u>	<u>-</u>
Deposits	<u>-</u>	<u>770,129</u>
Investment Income (Losses)		
Net Decrease in Fair Value of Investments	(6,122,747)	-
Dividends	1,082,012	-
	(5,040,735)	-
Less Investment Expense	(73,320)	-
Total Net Investment Income (Losses)	<u>(5,114,055)</u>	<u>-</u>
Miscellaneous Revenue	<u>679</u>	<u>-</u>
Total Additions	<u>(4,404,760)</u>	<u>770,129</u>
Deductions		
Benefits	1,557,862	-
Professional Fees	-	583,829
Escrow Releases	-	816,244
Administrative Expense	8,700	127
Total Deductions	<u>1,566,562</u>	<u>1,400,200</u>
Change in Net Position	(5,971,322)	(630,071)
Net Position		
Beginning of Year	<u>31,379,919</u>	<u>1,594,664</u>
End of Year	<u>\$ 25,408,597</u>	<u>\$ 964,593</u>

See notes to financial statements.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Hatfield Township, Montgomery County, Pennsylvania (the 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, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Reporting Entity (continued)

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.

Fire and Ambulance Services – The Township provides some financial support to the Colmar and Hatfield Fire Companies. Since there is no fiscal dependency, financial benefit or burden relationship, these fire companies have been excluded from the reporting entity. The Township levies and collects real estate taxes designated for allocation among the fire companies. Annual appropriations totaled \$315,000 for the year ended December 31, 2022.

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 (the 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.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2022**

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, 2022**

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	No
Recycling Fund	Accounts for recycling grant funds and related expenditures	Yes
Impact Fees Fund	Accounts for impact fees collected and related expenditures	Yes
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, 2022**

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 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 and the Pool Reserve Fund.

Fiduciary Funds

Pension Trust and Agency Funds – Pension Trust Funds (which include the Police and Non-Uniform Pension Plans) and Custodial 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. The Pension Trust Funds are presented as required by accounting standards in the Township’s Fiduciary Fund statements.

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, 2022**

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 yearend. 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, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. 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.

E. Investments and Fair Value

Investments in debt and equity securities with readily determinable fair market values are recorded at fair value, as required by GASB Statement No. 72, *Fair Value Measurement and Application*. Realized and unrealized gains and losses are recorded in the statement of activities, statement of revenues, expenditures, and changes in fund balances as revenue (governmental activities), and on the statement of changes in fiduciary net position (fiduciary funds)

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 9 for details of interfund transactions, including receivables and payables at yearend.

G. Receivables

In the government-wide statements, receivables consist of all revenues earned at yearend 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.

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 yearend and not yet received.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

I. Long-Term Obligations

The accounting treatment of long-term obligations 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 obligations to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes payable, pension, and other post-retirement benefit liabilities, and accrued compensated absences.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Long-Term Obligations (continued)

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. 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 \$216,119 for vested compensatory time at December 31, 2022.

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.”

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Equity Classifications (continued)

Fund Statements

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

Nonspendable – includes amounts that cannot be spent because they are not in spendable form or they are legally or contractually required to be kept intact.

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 Board). 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, 2022.

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.

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.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflow of resources*, represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Township has one type of this item that qualifies for reporting in this category.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflow of resources*, represents an acquisition of net position that applies to a future period, and so will *not* be recognized as an inflow of resources (revenue) until then. The Township has three types of this item that qualifies for reporting in this category in the government-wide financial statements. Additionally, the Township has two types of this item that qualifies for reporting in this category in the fund financial statements as well. Accordingly, this item, *unavailable revenue*, is reported in the governmental funds balance sheet. The governmental funds report unavailable revenue from three sources: property taxes, earned income taxes and local services taxes. The government wide statement does not report unavailable revenues.

M. 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.

N. 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.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. 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.

P. Stewardship, Compliance, and Accountability

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.

Excess of Expenditures Over Appropriations

The Township has presented budget to actual comparisons for the General, Recycling, Debt Service, Pool and Pool Reserve Funds and all other nonmajor funds. For the year ended December 31, 2022, General and Recycling Fund expenditures exceeded appropriations in various categories by \$524,212 and \$22,487, respectively. The excess expenditures in both funds were funded by greater than anticipated revenues, and the available fund balance carryforward. Additionally, the Pool Fund depreciation expense exceeded appropriations by \$203,083 due to the fact that depreciation expense was not budgeted. Several other categories in the Pool Fund exceeded appropriations by a total of \$174,353. These excess expenditures were funded by the available fund balance carryforward and transfers in.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2022

2. CASH AND INVESTMENTS

Cash and investments as of December 31, 2022, are classified in the accompanying financial statements as follows:

Statement of Net Position	
Cash	\$ 11,110,445
Statement of Fiduciary Net Position	
Cash	1,629,923
Investments	<u>24,945,523</u>
Total Cash and Investments	<u><u>\$ 37,685,891</u></u>

Cash and investments as of December 31, 2022, consist of the following:

Deposits with Financial Institutions	\$ 12,369,808
Money Market Funds	370,560
Investments	<u>24,945,523</u>
Total Cash and Investments	<u><u>\$ 37,685,891</u></u>

A. Cash Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. 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, 2022, \$12,114,253 of the Township's bank balance of \$12,614,253 was uninsured but collateralized by securities held by the bank or by its trust department or agent, but not in the Township's name.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2022**

2. CASH AND INVESTMENTS (continued)

B. Investments

At December 31, 2022, the Township's investments consisted of the following:

Fiduciary Funds	
Exchange-Traded Funds	\$ 4,456,333
Corporate Bonds	1,517,148
Mutual Funds	<u>18,972,042</u>
 Total Investments	 <u>\$ 24,945,523</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.

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 \$370,560 are covered by Securities Investor Protection Corporation up to \$250,000.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2022

2. CASH AND INVESTMENTS (continued)

B. Investments (continued)

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, 2022, the Township's investments were rated by Moody's as follows:

	<u>Fair Value</u>	<u>Rating</u>
Investments		
Corporate Bonds	<u>\$ 1,517,148</u>	AA1 – BA2
Total Exposed to Credit Risk	1,517,148	
Not Rated**	<u>23,428,375</u>	
Total Investments	<u><u>\$24,945,523</u></u>	

** Not rated securities consist of fiduciary fund investments in mutual funds, stocks and exchange-traded funds.

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 Township did not have any individual investments that exceeded 5% of total entity investment.

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.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2022**

2. CASH AND INVESTMENTS (continued)

B. Investments (continued)

Interest Rate Risk (continued)

The Township's investments at December 31, 2022, including the following:

<u>Remaining Maturities</u>	<u>Corporate Bonds</u>
1 Year or Less	\$ 287,739
2 - 5 Years	1,136,080
6 Years	<u>93,329</u>
Total	<u><u>\$1,517,148</u></u>

The Township's investments shown above have remaining maturity dates that range from the years 2023 to 2028. The securities with longer maturity dates are highly sensitive to interest rate risk.

Fair Value of Investments

Accounting principles generally accepted in the United States of America establish a fair value hierarchy that is based on the valuation inputs used in the fair value measurements. Measurements using quoted prices in active markets for identical assets and liabilities fall within Level 1 of the hierarchy; measurements using significant other observable inputs fall within Level 2; and measurements using significant unobservable inputs fall within Level 3.

Information related to the Township's assets measured at fair value on a recurring basis at December 31, 2022, is as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Exchange-Traded Funds	\$ 4,456,333	\$ 4,456,333	\$ -	\$ -
Corporate Bonds	1,517,148	1,517,148	-	-
Mutual Funds	<u>18,972,042</u>	<u>18,972,042</u>	<u>-</u>	<u>-</u>
Total Investments	<u><u>\$ 24,945,523</u></u>	<u><u>\$ 24,945,523</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2022**

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. Custodial Fund net assets of \$964,593 represent the net developer and other balances held at December 31, 2022.

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 \$1,223,203,720 for 2022. 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, 2022: general purposes, 3.688 mills; fire tax purposes, .620 mills; park and recreation, .220 mills; debt service, .694 mills. Additionally, during 2022, the Township received \$100,000 from real estate tax 'payment in lieu of taxes' agreements.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2022**

5. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022, was as follows:

	Balance 1/1/22	Additions	Disposals	Balance 12/31/22
Governmental Activities				
Assets Not Being Depreciated				
Land	\$ 12,305,771	\$ -	\$ -	\$ 12,305,771
Depreciable Assets				
Land Improvements	1,448,699	21,229	-	1,469,928
Buildings and Improvements	7,757,958	13,845	-	7,771,803
Park Equipment and Improvements	887,757	186,456	-	1,074,213
Equipment	969,699	54,327	-	1,024,026
Vehicles	2,708,184	186,923	76,266	2,818,841
Furniture and Fixtures	55,187	-	-	55,187
Infrastructure	29,393,944	295,765	-	29,689,709
Total at Historical Cost	55,527,199	758,545	76,266	56,209,478
Less Accumulated Depreciation				
Land Improvements	557,009	32,600	-	589,609
Buildings and Improvements	3,766,772	212,336	-	3,979,108
Park Equipment and Improvements	595,956	32,354	-	628,310
Equipment	605,091	73,080	-	678,171
Vehicles	1,855,767	237,002	76,266	2,016,503
Furniture and Fixtures	55,187	-	-	55,187
Infrastructure	14,785,271	559,028	-	15,344,299
Total Accumulated Depreciation	22,221,053	1,146,400	76,266	23,291,187
Total Governmental Activities Net Capital Assets	\$ 33,306,146	\$ (387,855)	\$ -	\$ 32,918,291
Business-Type Activities				
Pool	\$ 7,362,021	\$ 100,348	\$ -	\$ 7,462,369
Less Accumulated Depreciation	2,662,927	203,083	-	2,866,010
Total Business-Type Activities Net Capital Assets	\$ 4,699,094	\$ (102,735)	\$ -	\$ 4,596,359

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2022

5. CAPITAL ASSETS (continued)

Depreciation expense was charged to programs as follows:

Governmental Activities	
General Government	\$ 122,020
Police	159,369
Highway Maintenance	778,242
Parks and Recreation	84,974
Code Enforcement	1,795
	<u>1,146,400</u>
Business-Type Activities	
Pool	<u>203,083</u>
Total Depreciation Expense	<u><u>\$ 1,349,483</u></u>

6. LONG-TERM OBLIGATIONS

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

	Balance 1/1/22	Additions	Reductions	Balance 12/31/22	Due Within One Year
Governmental Activities					
General Obligation Notes					
2003 General Obligation Note - Series A	\$ 127,000	\$ -	\$ 63,000	\$ 64,000	\$ 64,000
2003 General Obligation Note - Series B	257,000	-	127,000	130,000	130,000
2011 General Obligation Note - Series B	745,000	-	-	745,000	-
2019 General Obligation Note	442,000	-	144,000	298,000	147,000
2020 General Obligation Note	789,000	-	1,000	788,000	1,000
Equipment Notes Payable					
LED Lights	64,306	-	12,159	52,147	12,522
Peterbuilt Truck	28,903	-	28,903	-	-
Street Sweeper	107,905	-	52,879	55,026	55,026
John Deere Tractor	76,323	-	24,600	51,723	25,432
Compensated Absences	168,098	48,021	-	216,119	-
Business-Type Activities					
General Obligation Notes					
2006 General Obligation Note	825,000	-	160,000	665,000	162,000
2011 General Obligation Note - Series A	735,000	-	1,000	734,000	1,000
	<u>\$ 4,365,535</u>	<u>\$ 48,021</u>	<u>\$ 614,541</u>	<u>\$ 3,799,015</u>	<u>\$ 597,980</u>

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2022**

6. LONG-TERM OBLIGATIONS (continued)

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 14).

Additionally, the Township executed a fixed rate swap agreement, which fixed its interest rate for 75% of the original note proceeds (see Note 14). 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.

Additionally, in 2015, 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. As a result of this conversion, \$375,000 of principal was shifted from the Series B notes to the Series A notes. The new fixed rate for the portions of the notes that were converted is 1.7315% per annum.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2022

6. LONG-TERM OBLIGATIONS (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>Interest Rate</u>	<u>Interest</u>	<u>Total Debt Service</u>
Series A				
2023	\$ 64,000	1.7315%	\$ 554	\$ 64,554
Series B				
2023	\$ 130,000	1.60 - 4.00%	\$ 1,856	\$ 131,856

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 14). 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 14). The fixed rate terminated effective August 25, 2020. In August 2020 the Township requested and received a new fixed rate of 1.088% and 1.870%, respectively, for the series A and C notes. 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.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2022**

6. LONG-TERM OBLIGATIONS (continued)

B. 2006 General Obligation Note (continued)

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>Interest Rate</u>	<u>Interest</u>	<u>Total Debt Service</u>
2023	\$ 162,000	1.088 - 1.875%	\$ 9,775	\$ 171,775
2024	166,000	1.088 - 1.875%	7,161	173,161
2025	171,000	1.088 - 1.875%	4,485	175,485
2026	166,000	1.088 - 1.875%	1,779	167,779
	<u>\$ 665,000</u>		<u>\$ 23,200</u>	<u>\$ 688,200</u>

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 14), which fixed its interest rate for the note proceeds at 2.42% (Series A) and 3.10% (Series B). In 2017, the rate on the Series A note reset to 2.008%. 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.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2022

6. LONG-TERM OBLIGATIONS (continued)

C. 2011 General Obligation Note - Series A and B (continued)

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

<u>Year</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Total Debt Service</u>
Series A				
2023	\$ 1,000	2.008%	\$ 14,728	\$ 15,728
2024	98,000	2.008%	13,735	111,735
2025	100,000	2.008%	11,747	111,747
2026	103,000	2.008%	9,709	112,709
2027	105,000	2.008%	7,620	112,620
2028 - 2030	<u>327,000</u>	2.008%	<u>9,930</u>	<u>336,930</u>
	<u>\$ 734,000</u>		<u>\$ 67,469</u>	<u>\$ 801,469</u>
Series B				
2023	\$ -	1.799%	\$ 13,403	\$ 13,403
2024	103,000	1.799%	12,476	115,476
2025	98,000	1.799%	10,668	108,668
2026	102,000	1.799%	8,869	110,869
2027	105,000	1.799%	7,007	112,007
2028 - 2030	<u>337,000</u>	1.799%	<u>9,220</u>	<u>346,220</u>
	<u>\$ 745,000</u>		<u>\$ 61,643</u>	<u>\$ 806,643</u>

D. 2019 General Obligation Note

On February 25, 2019, the Township issued a General Obligation Note in the amount of \$720,000 through the Delaware Valley Regional Finance Authority. The Township executed a fixed rate swap agreement (see Note 14), which fixed its interest rate for the note proceeds at 2.248% per annum. Principal payments are due on February 25 of each year. This note was issued for the purpose of making capital improvements to Township facilities, 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, that is payable in such fiscal year.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2022

6. LONG-TERM OBLIGATIONS (continued)

D. 2019 General Obligation Note (continued)

The debt service requirements for the 2019 General Obligation Note are shown below.

<u>Year</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Total Debt Service</u>
2023	\$ 147,000	2.2480%	\$ 3,945	\$ 150,945
2024	151,000	2.2480%	566	151,566
	<u>\$ 298,000</u>		<u>\$ 4,511</u>	<u>\$ 302,511</u>

E. 2020 General Obligation Note

In August 2020, the Township issued a General Obligation Note in the amount of \$790,000 through the Delaware Valley Regional Finance Authority. The Township executed a fixed rate swap agreement (see Note 14), which fixed its interest rate for the note proceeds at 1.088% per annum. Principal payments are due on August 25 of each year. This note was issued for the purpose of purchasing land for future expansion, 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, that is payable in such fiscal year.

<u>Year</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Total Debt Service</u>
2023	\$ 1,000	1.0880%	\$ 8,570	\$ 9,570
2024	1,000	1.0880%	8,559	9,559
2025	26,000	1.0880%	8,457	34,457
2026	26,000	1.0880%	8,175	34,175
2027	27,000	1.0880%	7,888	34,888
2028 - 2032	138,000	1.0880%	34,990	172,990
2033 - 2037	147,000	1.0880%	27,254	174,254
2038 - 2042	155,000	1.0880%	19,065	174,065
2043 - 2047	164,000	1.0880%	10,416	174,416
2048 - 2050	103,000	1.0880%	1,879	104,879
	<u>\$ 788,000</u>		<u>\$ 135,253</u>	<u>\$ 923,253</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2022

6. LONG-TERM OBLIGATIONS (continued)

F. Interest Expense

Interest expense during the year on all the above-noted long-term debt totaled \$62,707.

7. EQUIPMENT NOTES PAYABLE

The Township has several lease agreements for the acquisition of a street sweeper, tractor, and LED street lighting, that are considered financed purchases, and thus follow the reporting requirements for long-term debt. The leases expire at various dates through 2026. The capitalized cost of the equipment is \$501,180 and accumulated depreciation is \$158,267 at December 31, 2022. At December 31, 2022, future lease payments are due as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 92,980	\$ 5,352	\$ 98,332
2024	39,187	1,884	41,071
2025	13,282	610	13,892
2026	13,447	213	13,660
	<u>\$ 158,896</u>	<u>\$ 8,059</u>	<u>\$ 166,955</u>

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2022**

8. FUND BALANCE CLASSIFICATIONS

	General Fund	Recycling Fund	Debt Service Fund	Impact Fees Fund	Nonmajor Governmental Funds	Total
Nonspendable	\$ 22,956	\$ -	\$ -	\$ -	\$ -	\$ 22,956
Restricted for:						
Debt Service	-	-	528,629	-	-	528,629
Highway Improvements	-	-	-	1,176,451	108,155	1,284,606
Fire Protection	-	-	-	-	17,084	17,084
	-	-	528,629	1,176,451	125,239	1,830,319
Assigned for:						
Capital Acquisition or Construction	-	-	-	-	1,364,426	1,364,426
Highway Improvements	-	-	-	6,972	-	6,972
Fire Protection	-	-	-	-	5,015	5,015
Parks and Recreation	-	-	-	-	47,117	47,117
Community Recycling	-	1,264,218	-	-	-	1,264,218
Debt Service	-	-	677,765	-	-	677,765
	-	1,264,218	677,765	6,972	1,416,558	3,365,513
Unassigned	5,385,399	-	-	-	-	5,385,399
Total Fund Balances	\$5,408,355	\$1,264,218	\$1,206,394	\$1,183,423	\$ 1,541,797	\$ 10,604,187

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2022

9. INTERFUND TRANSACTIONS

Interfund transactions are as follows:

Purpose	Receivable Fund	Payable Fund	Amount
Due To/From			
Operating Costs Advance	General	Pool	\$ 4,376
Operating Costs Advance	General	Nonmajor Funds	\$ 3,382
Escrow Admin Fees	General	Custodial	\$ 214,276
Tax Revenues	Nonmajor Funds	General	\$ 10,695
Tax Revenues	Debt Service	General	\$ 7,737
Other Reimbursable Costs	Custodial	General	\$ 24,370
Other Reimbursable Costs	Nonmajor Funds	Pool	\$ 7,232
Transfers			
Capital Purchases	Nonmajor Fund	Nonmajor Fund	\$ 285,862
Capital Purchases	Pool	Recycling	\$ 160,000
Capital Purchases	Pool	Nonmajor Fund	\$ 100,348
Capital Purchases	Nonmajor Fund	Recycling	\$ 5,000
Debt Service	Pool	Debt Service	\$ 187,519
Capital Purchases	Recycling	General	\$ 25,000
Capital Purchases	Nonmajor Fund	General	\$ 225,000

10. 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
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2022**

11. 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 TD Ameritrade.

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
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2022**

11. DEFINED BENEFIT PENSION PLANS (continued)

B. Plan Descriptions (continued)

Plan Membership

At December 31, 2022, plan membership consisted of the following:

	<u>Police</u>	<u>Non-Uniform</u>
Active Employees	27	9
Retirees and Beneficiaries Currently Receiving Benefits	27	21
Terminated Employees Entitled to Benefits but Not Yet Receiving Them	<u>1</u>	<u>5</u>
Total	<u><u>55</u></u>	<u><u>35</u></u>

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
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2022**

11. 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 th 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:	1.5% per annum

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2022**

11. 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 2022, 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 1.5% 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.

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.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2022**

11. DEFINED BENEFIT PENSION PLANS (continued)

C. Investments (continued)

Investment Policy (continued)

The Committees' adopted asset allocation policy as of December 31, 2022, 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 Township did not have more than 5% of entity investments in any one investment.

Rate of Return

For the year ended December 31, 2022, the annual money-weighted rate of return on Police Plan and NU Plan investments, net of pension plan investment expense, was (16.4)%, and (16.3)%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amounts actually invested.

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.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2022**

11. DEFINED BENEFIT PENSION PLANS (continued)

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

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 over 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, 2022, there were three participants in the DROP program. The balance in the DROP account at December 31, 2022 was \$182,295.

E. Net Pension Liability of the Township

The components of the net pension liabilities of the Township at December 31, 2022, were as follows:

	<u>Police</u>	<u>Non-Uniform</u>
Total Pension Liability	\$ 24,903,976	\$ 5,077,531
Plan Fiduciary Net Position	<u>(20,941,057)</u>	<u>(4,168,529)</u>
Township's Net Pension Liability (Asset)	<u>\$ 3,962,919</u>	<u>\$ 909,002</u>
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	84.1%	82.1%

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2022**

11. DEFINED BENEFIT PENSION PLANS (continued)

E. Net Pension Liability of the Township (continued)

Actuarial Assumptions

The total pension liability for both plans was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2021, 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	3%

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

The actuarial assumptions used in the December 31, 2022, valuation were based on the results of an actuarial experience study for the two year period ended January 1, 2021.

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, 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return, Per Year</u>
Domestic Equity	5.50 - 7.50%
Fixed Income	1.00 - 3.00%
International Equity	4.50 - 6.50%
Cash	0.0 - 1.00%

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.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2022**

11. DEFINED BENEFIT PENSION PLANS (continued)

E. Net Pension Liability of the Township (continued)

Changes in the Net Pension Liability

Changes in the net pension liability for the year ended December 31, 2022, are as follows:

	Police Pension Plan Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) – (b)
Balance at December 31, 2021	<u>\$ 23,825,878</u>	<u>\$ 25,930,652</u>	<u>\$ (2,104,774)</u>
Changes for the Year			
Service Cost	518,790	-	518,790
Interest	1,852,953	-	1,852,953
Difference Between Expected and Actual Experience	-	-	-
Changes in Assumptions	-	-	-
Contributions - Employer	-	337,633	(337,633)
Contributions - Employee	-	175,788	(175,788)
Net Investment Loss	-	(4,204,871)	4,204,871
Benefit Payments	(1,293,645)	(1,293,645)	-
Administrative Expense	-	(4,500)	4,500
Net Changes	<u>1,078,098</u>	<u>(4,989,595)</u>	<u>6,067,693</u>
Balances at December 31, 2022	<u><u>\$ 24,903,976</u></u>	<u><u>\$ 20,941,057</u></u>	<u><u>\$ 3,962,919</u></u>

	Non-Uniform Pension Plan Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) – (b)
Balance at December 31, 2021	<u>\$ 4,893,011</u>	<u>\$ 5,239,869</u>	<u>\$ (346,858)</u>
Changes for the Year			
Service Cost	126,898	-	126,898
Interest	388,363	-	388,363
Changes in Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	-	-	-
Contributions - Employer	-	93,823	(93,823)
Contributions - Employee	-	11,720	(11,720)
Net Investment Loss	-	(841,942)	841,942
Benefit Payments	(330,741)	(330,741)	-
Administrative Expense	-	(4,200)	4,200
Net Changes	<u>184,520</u>	<u>(1,071,340)</u>	<u>1,255,860</u>
Balances at December 31, 2022	<u><u>\$ 5,077,531</u></u>	<u><u>\$ 4,168,529</u></u>	<u><u>\$ 909,002</u></u>

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2022**

11. DEFINED BENEFIT PENSION PLANS (continued)

E. Net Pension Liability of the Township (continued)

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.

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
Net Police Pension Liability (Asset)	\$6,663,127	\$3,962,919	\$1,676,767
Net Non-Uniform Pension Liability (Asset)	\$1,357,659	\$909,002	\$364,961

Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions

For the year ended December 31, 2022, the Township recognized pension expense of \$1,015,204 in the Police Plan. At December 31, 2022, the Township reported deferred outflows and inflows of resources related to the Police Pension Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 18,198	\$ (332,702)
Changes of Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	<u>4,998,347</u>	<u>(1,408,010)</u>
	<u>\$ 5,016,545</u>	<u>\$(1,740,712)</u>

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year	Amount
2023	\$ 351,940
2024	739,076
2025	927,951
2026	1,253,227
2027	3,639
Thereafter	-
	<u>\$ 3,275,833</u>

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2022**

11. DEFINED BENEFIT PENSION PLANS (continued)

E. Net Pension Liability of the Township (continued)

Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions (continued)

For the year ended December 31, 2022, the Township recognized pension expense of \$267,505 in the Non-Uniform Plan. At December 31, 2022, the Township reported deferred outflows and inflows of resources related to the Non-Uniform Pension Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ (39,005)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	<u>1,001,564</u>	<u>(295,720)</u>
	<u>\$ 1,001,564</u>	<u>\$ (334,725)</u>

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year	Amount
2023	\$ 60,344
2024	150,000
2025	206,105
2026	<u>250,390</u>
	<u>\$ 666,839</u>

12. NON-UNIFORM DEFINED CONTRIBUTION 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. For the year ended December 31, 2022, there were twenty-two participants in this plan, and the Township contribution to the plan was \$64,568.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2022**

13. POST-EMPLOYMENT BENEFITS

A. Police

Voluntary Employees Beneficiary Association (VEBA)

In addition to the pension benefits described in Note 11, 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 11.

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, 2022. 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 seven retirees receiving benefits and no uniformed employees have received contributions in their medical reimbursement account for 2022.

Post-Retirement Health Benefits

Benefits Provided

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.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2022**

13. PO6ST-EMPLOYMENT BENEFITS

A. Police (continued)

Post-Retirement Health Benefits (continued)

Employees Covered by the Plan

The following eligible Police employees and retirees were covered by the plan:

Active Employees	28
Retirees and Beneficiaries Currently Receiving Benefits	3
Terminated Employees Entitled to Benefits but Not Yet Receiving Them	<u>0</u>
Total	<u><u>31</u></u>

Contributions

The Township has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs.

Method Used to Value Investments

The Township does not have a GASB qualified Trust, and therefore, there are no investments.

Long-Term Expected Rate of Return

Since there are no invested assets, there is no long-term expected rate of return.

Net OPEB Liability

An actuarial valuation of the total OPEB liability is performed biannually. The total OEPB liability as of December 31, 2022 was determined as part of an actuarial valuation at January 1, 2021. Update procedures were used to roll forward to the municipality's fiscal year ending December 31, 2022. This report was based upon the Plan's actuarial assumptions, asset valuation method and cost method as described below:

Actuarial Assumptions:

Valuation Method	Entry Age Normal
Discount Rate	2.25%
Salary Increases	5.0% per year
Investment Rate of Return	n/a
Healthcare Cost Trend Rate	Medical costs assumed to increase by 6.5% in 2022, 6.0% in 2023, and 5.5% in 2024 and 2025, then reduced from 5.4% in 2026 to 3.9% in 2075
Mortality Rates	RP2000 Table

Discount Rate

The discount rate used to measure the total OPEB liability was 2.25%, and is based on the S&P Municipal Bond 20-year High Grade Rate Index at January 1, 2022.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2022**

13. POST-EMPLOYMENT BENEFITS

A. Police (continued)

Post-Retirement Health Benefits (continued)

Net OPEB Liability Sensitivity – Discount Rate

The following is a sensitivity analysis of the net OPEB liability to changes in the discount rate. The table below presents the net OPEB liability calculated using the discount rate of 2.25% as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.25%) or 1 percentage point higher (3.25%) than the current rate.

	<u>1% Decrease (1.25%)</u>	<u>Current Discount Rate (2.25%)</u>	<u>1% Increase (3.25%)</u>
Net OPEB Liability	\$1,450,867	\$1,343,800	\$1,245,846

Net OPEB Liability Sensitivity – Healthcare Trend

The following is a sensitivity analysis of the net OPEB liability to changes in the healthcare trend rate. The table below presents the net OPEB liability calculated using the current trend rate as well as what the net OPEB liability would be if it were calculated using a healthcare trend rate that is 1 percent higher or 1 percent higher than expected.

	<u>1% Decrease (1.25%)</u>	<u>Current Discount Rate (2.25%)</u>	<u>1% Increase (3.25%)</u>
Net OPEB Liability	\$1,207,636	\$1,343,800	\$1,500,948

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2022**

13. POST-EMPLOYMENT BENEFITS

A. Police (continued)

Post-Retirement Health Benefits (continued)

Changes in the Net OPEB Liability

Changes in the net OPEB liability for the year ended December 31, 2022, are as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at December 31, 2021	\$ 1,315,527	\$ -	\$ 1,315,527
Changes for the Year			
Service Cost	64,065	-	64,065
Interest	26,250	-	26,250
Difference Between Expected and Actual Experience	-	-	-
Changes in Assumptions	(26,051)	-	(26,051)
Contributions - Employer	-	-	-
Contributions - Employee	-	-	-
Net Investment Income	-	-	-
Benefit Payments	(35,991)	-	(35,991)
Administrative Expense	-	-	-
Net Changes	28,273	-	28,273
Balances at December 31, 2022	<u>\$ 1,343,800</u>	<u>\$ -</u>	<u>\$ 1,343,800</u>

B. Expense and Deferred Outflows Related to OPEB

For the year ended December 31, 2022, the Township recognized OPEB expense of \$97,889. At December 31, 2022, the Township reported deferred outflows of resources related to the OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 72,590	\$ 94,891
Change of Assumptions	157,447	48,846
Benefit Payments Subsequent to the Measurement Date	41,755	-
	<u>\$ 271,792</u>	<u>\$ 143,737</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2022

13. POST-EMPLOYMENT BENEFITS

A. Police (continued)

Post-Retirement Health Benefits (continued)

OPEB Expense and Deferred Outflows Related to OPEB (continued)

The \$41,755 reported as deferred outflows of resources related to the OPEB plan resulting from Township contributions subsequent to the measurement date will be recognized as reduction of the net OPEB liability in the year ended December 31, 2022. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year</u>	<u>Amount</u>
2023	\$ 7,574
2024	7,574
2025	7,574
2026	7,574
2027	7,574
Thereafter	<u>48,430</u>
	<u><u>\$ 86,300</u></u>

B. Non-Uniform

Effective January 1, 2007, the Township adopted a retirement health savings plan for non-uniformed employees. In 2022, the Township contributed 1.5% of the salary of full-time, non-uniformed employees, or \$38,392. 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 13 retirees receiving benefits and 25 non-uniformed employees are receiving contributions.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2022**

14. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

A. 2003 General Obligation Note, Series A and B

As described in Note 6, 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>
Series A		
2003, Note c	<u>\$ 64,000</u>	1.7315%
Series B		
2003, Note a	\$ 68,000	4.000%
2003, Note b	<u>62,000</u>	1.600%
	<u>\$ 130,000</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 outflow 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, 2022, was \$1,332 and is recorded in the governmental funds in the statement of net position.

B. 2006 General Obligation Note

As described in Note 6, 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.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2022

14. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES (continued)

B. 2006 General Obligation Note (continued)

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	\$ 231,000	1.088%
2006, Note b	\$ 214,000	1.875%
2006, Note c	<u>220,000</u>	1.088%
	<u><u>\$ 665,000</u></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 outflow 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, 2022, was \$31,341 and is recorded as a business-type activity in the statement of net position.

C. 2011 General Obligation Note, Series A and B

As described in Note 6, 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	\$ 734,000	2.008%
2011, Series B	<u>745,000</u>	1.799%
	<u><u>\$ 1,479,000</u></u>	

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2022**

14. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES (continued)

C. 2011 General Obligation Note, Series A and B (continued)

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, 2022, was \$79,948 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, 2022, was \$57,751 and is recorded in the governmental funds in the statement of net position.

D. 2019 and 2020 General Obligation Notes

As described in Note 6, Item D and E, the Township entered into additional fixed rate swap agreements. These agreements apply 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 at closing 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. The nominal amounts on this swap are \$720,000 and \$790,000, respectively, and the interest rate is 2.248% and 1.088%, respectively.

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, 2022, for the 2019 Note was \$2,982 and is recorded in the government funds in the statement of net position. The market value of the interest rate swap in favor of the Township as of December 31, 2022, for the 2020 Note was \$306,970 and is recorded in the government funds in the statement of net position.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2022

14. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES (continued)

E. Derivative Instrument Activity

	Government-Type Activity				
	2003 GON	2011 GON Series B	2019 GON	2020 GON	Total
Fair Value of Derivative Instrument on December 31, 2021	\$ (6,411)	\$ (12,945)	\$ (6,846)	\$ 91,248	\$ 65,046
Change in Fair Value	7,743	70,696	9,828	215,722	303,989
Fair Value of Derivative Instrument on December 31, 2022	<u>\$ 1,332</u>	<u>\$ 57,751</u>	<u>\$ 2,982</u>	<u>\$ 306,970</u>	<u>\$ 369,035</u>
	Business-Type Activity				
	2006 GON	2011 GON Series A	Total		
Fair Value of Derivative Instrument on December 31, 2021	\$ (2,797)	\$ 17,365	\$ 14,568		
Change in Fair Value	34,138	62,583	96,721		
Fair Value of Derivative Instrument on December 31, 2022	<u>\$ 31,341</u>	<u>\$ 79,948</u>	<u>\$ 111,289</u>		

F. Risks

Credit Risk

At December 31, 2022, the Township has exposure to credit risk in the amount of the derivative's 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, 2022**

15. 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 Property Liability Trust (DVPLT). DVPLT 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.

16. 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.

17. COMMITMENTS

Fire Company Contribution

In November 2016, the Commissioners approved a resolution to contribute a total of \$1,500,000 to the Colmar Volunteer Fire Company, to be used for the design, permitting and construction of a new fire station. This contribution is to be paid in annual increments of \$100,000 over 15 years. Payment of these funds is contingent upon the review and approval of the project design, management and construction. No contribution has been made through December 31, 2022, as the project is not yet in the building phase.

18. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 20, 2023, the date the financial statements were available to be issued.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Required Supplementary Information
Schedule of Changes in the Township's Net Pension Liability and Related Ratios
Police Pension Plan
December 31, 2022
(Unaudited)

	Measurement Date as of December 31,				
	2022	2021	2020	2019	2018
Total Pension Liability					
Service Cost	\$ 518,790	\$ 494,086	\$ 474,721	\$ 452,115	\$ 432,878
Interest	1,852,953	1,811,035	1,704,822	1,602,435	1,559,612
Differences Between Expected and Actual Experience	-	25,478	-	(776,306)	-
Changes of Assumptions	-	-	-	-	-
Benefit Payments (Including Refunds of Member Contributions)	(1,293,645)	(954,776)	(934,407)	(850,716)	(882,112)
Net Change in Total Pension Liability	1,078,098	1,375,823	1,245,136	427,528	1,110,378
Total Pension Liability					
Beginning of Year	23,825,878	22,450,055	21,204,919	20,777,391	19,667,013
End of Year	<u>\$ 24,903,976</u>	<u>\$ 23,825,878</u>	<u>\$ 22,450,055</u>	<u>\$ 21,204,919</u>	<u>\$ 20,777,391</u>
Plan Fiduciary Net Position					
Contributions					
Employer	\$ 337,633	\$ 1,040,054	\$ 921,489	\$ 912,661	\$ 697,356
Member	175,788	177,752	168,739	159,800	151,013
Net Investment Income (Loss)	(4,204,871)	2,903,847	2,555,821	3,270,742	(1,296,384)
Benefit Payments (Including Refunds of Member Contributions)	(1,293,645)	(954,776)	(934,407)	(850,716)	(882,112)
Administrative Expense	(4,500)	(8,700)	(8,900)	-	(7,000)
Net Change in Plan Fiduciary Net Position	(4,989,595)	3,158,177	2,702,742	3,492,487	(1,337,127)
Plan Fiduciary Net Position					
Beginning of Year	25,930,652	22,772,475	20,069,733	16,577,246	17,914,373
End of Year	<u>\$ 20,941,057</u>	<u>\$ 25,930,652</u>	<u>\$ 22,772,475</u>	<u>\$ 20,069,733</u>	<u>\$ 16,577,246</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Required Supplementary Information
Schedule of Changes in the Township's Net Pension Liability and Related Ratios
Police Pension Plan
December 31, 2022
(Unaudited)

	Measurement Date as of December 31,				
	2022	2021	2020	2019	2018
(Continued)					
Township's Ending Net Pension Liability (Asset)	<u>\$ 3,962,919</u>	<u>\$ (2,104,774)</u>	<u>\$ (322,420)</u>	<u>\$ 1,135,186</u>	<u>\$ 4,200,145</u>
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	84.1%	108.8%	101.4%	94.6%	79.8%
Covered Employee Payroll	<u>\$ 3,583,301</u>	<u>\$ 3,301,433</u>	<u>\$ 3,305,974</u>	<u>\$ 3,312,700</u>	<u>\$ 3,047,202</u>
Township's Net Pension Liability As a Percentage of Covered Employee Payroll	110.6%	(63.8)%	(9.8)%	36.2%	137.8%

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Required Supplementary Information
Schedule of Changes in the Township's Net Pension Liability and Related Ratios
Police Pension Plan
December 31, 2022
(Unaudited)

	Measurement Date as of December 31,			
	2017	2016	2015	2014
Total Pension Liability				
Service Cost	\$ 412,265	\$ 410,113	\$ 390,584	\$ 398,771
Interest	1,483,486	1,418,806	1,298,471	1,274,712
Differences Between Expected and Actual Experience	(238,247)	-	(182,493)	-
Changes of Assumptions	-	-	(211,282)	-
Benefit Payments (Including Refunds of Member Contributions)	(811,059)	(719,463)	(521,103)	(706,184)
Net Change in Total Pension Liability	846,445	1,109,456	774,177	967,299
Total Pension Liability				
Beginning of Year	<u>18,820,568</u>	<u>17,711,112</u>	<u>16,936,935</u>	<u>15,969,636</u>
End of Year	<u><u>\$ 19,667,013</u></u>	<u><u>\$ 18,820,568</u></u>	<u><u>\$ 17,711,112</u></u>	<u><u>\$ 16,936,935</u></u>
Plan Fiduciary Net Position				
Contributions				
Employer	\$ 688,248	\$ 716,459	\$ 848,887	\$ 751,765
Member	140,027	138,147	137,150	111,177
Net Investment Income (Loss)	2,474,531	915,903	(83,513)	934,122
Benefit Payments (Including Refunds of Member Contributions)	(811,059)	(719,463)	(521,103)	(706,184)
Administrative Expense	(7,900)	(13,136)	(12,100)	(4,476)
Net Change in Plan Fiduciary Net Position	2,483,847	1,037,910	369,321	1,086,404
Plan Fiduciary Net Position				
Beginning of Year	<u>15,430,526</u>	<u>14,392,616</u>	<u>14,023,295</u>	<u>12,936,891</u>
End of Year	<u><u>\$ 17,914,373</u></u>	<u><u>\$ 15,430,526</u></u>	<u><u>\$ 14,392,616</u></u>	<u><u>\$ 14,023,295</u></u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Required Supplementary Information
Schedule of Changes in the Township's Net Pension Liability and Related Ratios
Police Pension Plan
December 31, 2022
(Unaudited)

	Measurement Date as of December 31,			
	2017	2016	2015	2014
(Continued)				
Township's Ending Net Pension Liability	<u>\$ 1,752,640</u>	<u>\$ 3,390,042</u>	<u>\$ 3,318,496</u>	<u>\$ 2,913,640</u>
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	91.1%	82.0%	81.3%	82.8%
Covered Employee Payroll	<u>\$ 2,733,106</u>	<u>\$ 2,691,509</u>	<u>\$ 2,788,396</u>	<u>\$ 2,573,944</u>
Township's Net Pension Liability As a Percentage of Covered Employee Payroll	64.1%	126.0%	119.0%	113.2%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a 10-year trend is complete, available information is presented.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Required Supplementary Information
Schedule of Changes in the Township's Net Pension Liability and Related Ratios
Non-Uniform Pension Plan
December 31, 2022
(Unaudited)

	Measurement Date as of December 31,				
	2022	2021	2020	2019	2018
Total Pension Liability					
Service Cost	\$ 126,898	\$ 120,855	\$ 136,378	\$ 129,884	\$ 154,040
Interest	388,363	366,502	340,039	318,192	301,476
Differences Between Expected and Actual Experience	-	(62,257)	-	(39,388)	-
Changes of Benefits Terms	-	79,020	156,692	-	-
Benefit Payments (Including Refunds of Member Contributions)	(330,741)	(267,566)	(181,512)	(181,466)	(184,572)
Net Change in Total Pension Liability	184,520	236,554	451,597	227,222	270,944
Total Pension Liability					
Beginning of Year	4,893,011	4,656,457	4,204,860	3,977,638	3,706,694
End of Year	<u>\$ 5,077,531</u>	<u>\$ 4,893,011</u>	<u>\$ 4,656,457</u>	<u>\$ 4,204,860</u>	<u>\$ 3,977,638</u>
Plan Fiduciary Net Position					
Contributions					
Employer	\$ 93,823	\$ 187,603	\$ 145,135	\$ 138,837	\$ 137,577
Member	11,720	14,292	16,430	16,125	16,003
Net Investment Income (Loss)	(841,942)	595,905	538,169	691,622	(299,926)
Benefit Payments (Including Refunds of Member Contributions)	(330,741)	(267,566)	(181,512)	(181,466)	(184,572)
Administrative Expense	(4,200)	(8,300)	(7,100)	(11,172)	(4,600)
Net Change in Plan Fiduciary Net Position	(1,071,340)	521,934	511,122	653,946	(335,518)
Plan Fiduciary Net Position					
Beginning of Year	5,239,869	4,717,935	4,206,813	3,552,867	3,888,385
End of Year	<u>\$ 4,168,529</u>	<u>\$ 5,239,869</u>	<u>\$ 4,717,935</u>	<u>\$ 4,206,813</u>	<u>\$ 3,552,867</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Required Supplementary Information
Schedule of Changes in the Township's Net Pension Liability and Related Ratios
Non-Uniform Pension Plan
December 31, 2022
(Unaudited)

	Measurement Date as of December 31,				
	2022	2021	2020	2019	2018
(Continued)					
Township's Ending Net Pension Liability	<u>\$ 909,002</u>	<u>\$ (346,858)</u>	<u>\$ (61,478)</u>	<u>\$ (1,953)</u>	<u>\$ 424,771</u>
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	82.1%	107.1%	101.3%	100.0%	89.3%
Covered Employee Payroll	<u>\$ 806,982</u>	<u>\$ 797,020</u>	<u>\$ 1,029,326</u>	<u>\$ 1,076,308</u>	<u>\$ 1,027,797</u>
Township's Net Pension Liability As a Percentage of Covered Employee Payroll	112.6%	(43.5)%	(6.0)%	(0.2)%	41.3%

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Required Supplementary Information
Schedule of Changes in the Township's Net Pension Liability and Related Ratios
Non-Uniform Pension Plan
December 31, 2022
(Unaudited)

	Measurement Date as of December 31,			
	2017	2016	2015	2014
Total Pension Liability				
Service Cost	\$ 146,705	\$ 160,694	\$ 153,042	\$ 178,192
Interest	280,035	263,688	240,439	236,776
Differences Between Expected and Actual Experience	(74,883)	-	(237,871)	-
Changes of Benefits Terms	-	-	-	-
Benefit Payments (Including Refunds of Member Contributions)	(147,561)	(114,776)	(106,264)	(106,056)
Net Change in Total Pension Liability	204,296	309,606	49,346	308,912
Total Pension Liability				
Beginning of Year	3,502,398	3,192,792	3,143,446	2,834,534
End of Year	<u>\$ 3,706,694</u>	<u>\$ 3,502,398</u>	<u>\$ 3,192,792</u>	<u>\$ 3,143,446</u>
Plan Fiduciary Net Position				
Contributions				
Employer	\$ 139,820	\$ 149,159	\$ 180,543	\$ 159,538
Member	17,067	17,926	18,026	11,301
Net Investment Income (Loss)	544,557	205,918	(16,042)	202,793
Benefit Payments (Including Refunds of Member Contributions)	(147,561)	(114,776)	(106,264)	(106,056)
Administrative Expense	(12,625)	(6,784)	(11,600)	(1,119)
Net Change in Plan Fiduciary Net Position	541,258	251,443	64,663	266,457
Plan Fiduciary Net Position				
Beginning of Year	3,347,127	3,095,684	3,031,021	2,764,564
End of Year	<u>\$ 3,888,385</u>	<u>\$ 3,347,127</u>	<u>\$ 3,095,684</u>	<u>\$ 3,031,021</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Required Supplementary Information
Schedule of Changes in the Township's Net Pension Liability and Related Ratios
Non-Uniform Pension Plan
December 31, 2022
(Unaudited)

	Measurement Date as of December 31,			
	2017	2016	2015	2014
(Continued)				
Township's Ending Net Pension Liability	<u>\$ (181,691)</u>	<u>\$ 155,271</u>	<u>\$ 97,108</u>	<u>\$ 112,425</u>
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	104.9%	95.6%	97.0%	96.4%
Covered Employee Payroll	<u>\$ 1,055,400</u>	<u>\$ 1,197,116</u>	<u>\$ 1,207,105</u>	<u>\$ 1,177,324</u>
Township's Net Pension Liability As a Percentage of Covered Employee Payroll	(17.2)%	13.0%	8.0%	9.5%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a 10-year trend is complete, available information is presented.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Required Supplementary Information
Schedule of Township Contributions
Police Pension Plan
December 31, 2022
(Unaudited)**

Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions As a Percentage of Covered Employee Payroll
2013	\$ 750,479	\$ 750,479	\$ -		
2014	\$ 751,765	\$ 751,765	\$ -	\$ 2,573,944	29.21%
2015	\$ 848,887	\$ 848,887	\$ -	\$ 2,788,396	30.44%
2016	\$ 716,459	\$ 716,459	\$ -	\$ 2,691,509	26.62%
2017	\$ 688,248	\$ 688,248	\$ -	\$ 2,733,106	25.18%
2018	\$ 697,346	\$ 697,356	\$ (10)	\$ 3,047,202	22.89%
2019	\$ 912,661	\$ 912,661	\$ -	\$ 3,132,700	29.13%
2020	\$ 921,489	\$ 921,489	\$ -	\$ 3,305,974	27.87%
2021	\$ 1,040,045	\$ 1,040,054	\$ (9)	\$ 3,301,433	31.50%
2022	\$ 337,633	\$ 337,633	\$ -	\$ 3,583,301	9.42%

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	8 years
Asset Valuation Method	Market Value of Assets
Inflation	3.0%
Salary Increases	5.0% per year
Investment Rate of Return	8.0%
Retirement Age	Assumption is that all members enter the DROP upon meeting the eligibility requirements for normal retirement. DROP participation assumed to be 36 months.
Mortality	RP2000 Table

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Required Supplementary Information
Schedule of Township Contributions
Non-Uniform Pension Plan
December 31, 2022
(Unaudited)**

<u>Year</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions from Employer</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contributions As a Percentage of Covered Employee Payroll</u>
2013	\$ 192,600	\$ 192,600	\$ -		
2014	\$ 159,538	\$ 159,538	\$ -	\$ 1,177,324	13.55%
2015	\$ 167,496	\$ 180,543	\$ (13,047)	\$ 1,207,105	13.88%
2016	\$ 136,331	\$ 149,159	\$ (12,828)	\$ 1,197,116	12.46%
2017	\$ 139,820	\$ 139,820	\$ -	\$ 1,055,400	13.25%
2018	\$ 137,577	\$ 137,577	\$ -	\$ 1,027,797	13.39%
2019	\$ 138,837	\$ 138,837	\$ -	\$ 1,076,308	12.90%
2020	\$ 145,135	\$ 145,135	\$ -	\$ 1,029,326	14.10%
2021	\$ 187,603	\$ 187,603	\$ -	\$ 797,020	23.54%
2022	\$ 93,823	\$ 93,823	\$ -	\$ 806,982	11.63%

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	13 years
Asset Valuation Method	Market Value of Assets
Inflation	3.0%
Salary Increases	5.0% per year
Investment Rate of return	8.0%
Retirement Age	Normal Retirement Age
Mortality	RP2000 Table

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Required Supplementary Information
Schedule of Investment Returns
December 31, 2022
(Unaudited)

	<u>Police</u>	<u>Non-Uniform</u>
Annual Money-Weighted Rate of Return, Net of Investment Expense		
2022	(16.40%)	(16.30%)
2021	12.85%	12.84%
2020	12.50%	12.80%
2019	19.80%	19.50%
2018	(6.60)%	(6.80)%
2017	16.25%	16.11%
2016	6.76%	6.93%
2015	(0.43)%	(0.32)%
2014	7.16%	7.28%

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Required Supplementary Information
Schedule of Changes in the Township's OPEB Liability and Related Ratios
December 31, 2022
(Unaudited)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability					
Service Cost	\$ 64,065	\$ 48,759	\$ 43,313	\$ 45,778	\$ 40,102
Interest	26,250	35,022	35,664	34,978	37,491
Differences Between Expected and Actual Experience	-	87,108	-	(142,335)	-
Changes of Assumptions	(26,051)	131,390	35,385	(37,450)	39,267
Benefit Payments (Including Refunds of Member Contributions)	<u>(35,991)</u>	<u>(26,813)</u>	<u>(23,513)</u>	<u>(28,103)</u>	<u>(23,896)</u>
Net Change in Total OPEB Liability	28,273	275,466	90,849	(127,132)	92,964
Total OPEB Liability					
Beginning of Year	<u>1,315,527</u>	<u>1,040,061</u>	<u>949,212</u>	<u>1,076,344</u>	<u>983,380</u>
End of Year	<u><u>\$ 1,343,800</u></u>	<u><u>\$ 1,315,527</u></u>	<u><u>\$ 1,040,061</u></u>	<u><u>\$ 949,212</u></u>	<u><u>\$ 1,076,344</u></u>
Covered Employee Payroll	<u><u>\$ 3,431,473</u></u>	<u><u>\$ 3,431,473</u></u>	<u><u>\$ 3,047,202</u></u>	<u><u>\$ 3,047,202</u></u>	<u><u>\$ 2,934,048</u></u>
Township's Total OPEB Liability As a Percentage of Covered Employee Payroll	39.16%	38.34%	34.13%	31.15%	36.68%

Assumption Changes - The discount rate changed from 1.93% to 2.25%. The trend assumption was updated.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a 10-year trend is complete, available information is presented.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
General Fund
Year Ended December 31, 2022

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 8,425,069	\$ 9,241,020	\$ 815,951
Intergovernmental	612,000	616,921	4,921
Charges for Services	1,852,174	2,414,154	561,980
Fines, Licenses and Permits	521,820	384,036	(137,784)
Interest Income and Rents	26,000	63,682	37,682
Miscellaneous Revenues	294,400	162,249	(132,151)
Total Revenues	<u>11,731,463</u>	<u>12,882,062</u>	<u>1,150,599</u>
Expenditures			
General Government	1,295,621	1,469,521	(173,900)
Public Safety	5,140,064	5,226,754	(86,690)
Public Works	1,224,694	1,461,601	(236,907)
Debt Service - Principal	-	12,158	(12,158)
Debt Service - Interest	-	1,734	(1,734)
Capital Expenditures	600,000	210,066	389,934
Insurance and Employee Benefits	2,957,894	2,769,201	188,693
Miscellaneous Governmental	22,000	34,823	(12,823)
Total Expenditures	<u>11,240,273</u>	<u>11,185,858</u>	<u>54,415</u>
Excess of Revenues Over (Under) Expenditures	491,190	1,696,204	1,205,014
Other Financing Sources (Uses)			
Operating Transfers In (Out)	<u>(450,000)</u>	<u>(250,000)</u>	<u>200,000</u>
Net Change in Fund Balances	41,190	1,446,204	1,405,014
Fund Balances			
Beginning of Year	<u>-</u>	<u>3,962,151</u>	<u>3,962,151</u>
End of Year	<u>\$ 41,190</u>	<u>\$ 5,408,355</u>	<u>\$ 5,367,165</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, 2022

1. BASIS OF PRESENTATION

The Township has prepared the Schedules 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 2022 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
Recycling Fund
Year Ended December 31, 2022

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Intergovernmental	\$ 40,000	\$ 37,494	\$ (2,506)
Miscellaneous Revenues	124,934	347,759	222,825
Total Revenues	<u>164,934</u>	<u>385,253</u>	<u>220,319</u>
Expenditures			
Public Works	580,000	12,460	567,540
Parks and Recreation	6,700	29,187	(22,487)
Total Expenditures	<u>586,700</u>	<u>41,647</u>	<u>545,053</u>
Excess (Deficiency) of Revenues Over Expenditures	(421,766)	343,606	765,372
Other Financing Sources (Uses)			
Operating Transfers In (Out)	<u>(300)</u>	<u>(140,000)</u>	<u>(139,700)</u>
Net Change in Fund Balances	(422,066)	203,606	625,672
Fund Balances			
Beginning of Year	<u>1,915,024</u>	<u>1,060,612</u>	<u>(854,412)</u>
End of Year	<u>\$ 1,492,958</u>	<u>\$ 1,264,218</u>	<u>\$ (228,740)</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
Debt Service Fund
Year Ended December 31, 2022

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenues			
Taxes	\$ 636,500	\$ 666,460	\$ 29,960
Intergovernmental	28,500	27,776	(724)
Total Revenues	<u>665,000</u>	<u>694,236</u>	<u>29,236</u>
Expenditures			
Debt Service - Principal	496,000	335,000	161,000
Debt Service - Interest	62,909	36,259	26,650
Total Expenditures	<u>558,909</u>	<u>371,259</u>	<u>187,650</u>
Excess (Deficiency) of Revenues Over Expenditures	106,091	322,977	216,886
Other Financing Sources (Uses)			
Operating Transfers In (Out)	<u>-</u>	<u>(187,519)</u>	<u>(187,519)</u>
Net Change in Fund Balances	106,091	135,458	29,367
Fund Balances			
Beginning of Year	<u>932,441</u>	<u>1,070,936</u>	<u>138,495</u>
End of Year	<u><u>\$ 1,038,532</u></u>	<u><u>\$ 1,206,394</u></u>	<u><u>\$ 167,862</u></u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
Pool and Pool Reserve Funds
Year Ended December 31, 2022

	Pool Fund		Variance
	Original Budget	Actual	Favorable (Unfavorable)
Operating Revenues			
Charges and Fees	\$ 674,500	\$ 653,243	\$ (21,257)
Miscellaneous	3,000	7,464	4,464
Total Operating Revenues	<u>677,500</u>	<u>660,707</u>	<u>(16,793)</u>
Operating Expenses			
Salaries and Benefits	425,500	547,831	(122,331)
Depreciation	-	203,083	(203,083)
Repairs and Maintenance	66,500	50,581	15,919
Utilities	43,500	72,591	(29,091)
Snack Bar	66,000	74,983	(8,983)
Pool Supplies	32,200	41,277	(9,077)
Other Expenses	15,500	20,371	(4,871)
Office Supplies and Expenses	16,200	12,130	4,070
Uniforms	10,000	6,174	3,826
Total Operating Expenses	<u>675,400</u>	<u>1,029,021</u>	<u>(353,621)</u>
Operating Income (Loss) Before Nonoperating Revenues (Expenses)	<u>2,100</u>	<u>(368,314)</u>	<u>(370,414)</u>
Nonoperating Revenues (Expenses)			
Interest Expense	-	(26,448)	(26,448)
Intergovernmental Revenue	-	-	-
Transfers (to) from Other Funds	(10,000)	447,867	457,867
Total Nonoperating Revenue (Expenses)	<u>(10,000)</u>	<u>421,419</u>	<u>431,419</u>
Change in Net Position	(7,900)	53,105	61,005
Fund Balances			
Beginning of Year	<u>8,627</u>	<u>3,136,754</u>	<u>3,128,127</u>
End of Year	<u>\$ 727</u>	<u>\$ 3,189,859</u>	<u>\$ 3,189,132</u>

Pool Reserve Fund		
<u>Original Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
128,000	315	127,685
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
128,000	315	127,685
(128,000)	(315)	127,685
-	-	-
-	100,663	100,663
257,313	(100,348)	(357,661)
257,313	315	(256,998)
129,313	-	(129,313)
330	506	176
<u>\$ 129,643</u>	<u>\$ 506</u>	<u>\$ (129,137)</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2022

	<u>Fire Fund</u>	<u>Park and Recreation Fund</u>	<u>State Highway Aid Fund</u>
Assets			
Cash and Cash Equivalents	\$ 4,464	\$ 17,755	\$ 108,155
Taxes Receivable	24,152	30,048	-
Due from (to) Other Funds	6,912	11,014	-
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u><u>\$ 35,528</u></u>	<u><u>\$ 58,817</u></u>	<u><u>\$ 108,155</u></u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable and Accrued Expenses	\$ -	\$ 432	\$ -
Accrued Wages and Payroll Taxes	-	3,121	-
Due to Other Funds	-	3,382	-
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u> </u>	<u>6,935</u>	<u> </u>
Deferred Inflows of Resources			
Deferred Tax Receipts	13,429	4,765	-
	<u> </u>	<u> </u>	<u> </u>
Fund Balances			
Restricted	17,084	-	108,155
Assigned	5,015	47,117	-
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>22,099</u>	<u>47,117</u>	<u>108,155</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u><u>\$ 35,528</u></u>	<u><u>\$ 58,817</u></u>	<u><u>\$ 108,155</u></u>

Capital Reserve Fund	Park and Recreation Reserve Fund	Equipment Reserve Fund	Total Nonmajor Governmental Funds
\$ 45,821	\$ 173,202	\$ 1,146,578	\$ 1,495,975
-	-	-	54,200
-	-	-	17,926
<u>\$ 45,821</u>	<u>\$ 173,202</u>	<u>\$ 1,146,578</u>	<u>\$ 1,568,101</u>
\$ 1,175	\$ -	\$ -	\$ 1,607
-	-	-	3,121
-	-	-	3,382
<u>1,175</u>	<u>-</u>	<u>-</u>	<u>8,110</u>
-	-	-	18,194
-	-	-	125,239
44,646	173,202	1,146,578	1,416,558
<u>44,646</u>	<u>173,202</u>	<u>1,146,578</u>	<u>1,541,797</u>
<u>\$ 45,821</u>	<u>\$ 173,202</u>	<u>\$ 1,146,578</u>	<u>\$ 1,568,101</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended December 31, 2022

	<u>Fire Fund</u>	<u>Park and Recreation Fund</u>	<u>State Highway Aid Fund</u>
Revenues			
Taxes	\$ 595,398	\$ 211,272	\$ -
Intergovernmental	-	-	513,602
Charges for Services	-	85,524	-
Interest Income and Rents	-	5,950	-
Miscellaneous Revenues	-	8,531	-
Total Revenues	<u>595,398</u>	<u>311,277</u>	<u>513,602</u>
Expenditures			
Public Safety	315,000	-	-
Public Works	-	-	414,335
Parks and Recreation	-	305,184	-
Debt Service - Principal	-	-	106,383
Debt Service - Interest	-	-	7,987
Capital Expenditures	-	-	-
Total Expenditures	<u>315,000</u>	<u>305,184</u>	<u>528,705</u>
Excess (Deficiency) of Revenues Over Expenditures	280,398	6,093	(15,103)
Other Financing Sources (Uses)			
Operating Transfers In (Out)	<u>(285,862)</u>	<u>5,000</u>	<u>-</u>
Net Change in Fund Balances	(5,464)	11,093	(15,103)
Fund Balances			
Beginning of Year	<u>27,563</u>	<u>36,024</u>	<u>123,258</u>
End of Year	<u>\$ 22,099</u>	<u>\$ 47,117</u>	<u>\$ 108,155</u>

Capital Reserve Fund	Park and Recreation Reserve Fund	Equipment Reserve Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 806,670
-	175,000	-	688,602
-	-	-	85,524
-	-	-	5,950
17,216	98,538	-	124,285
<u>17,216</u>	<u>273,538</u>	<u>-</u>	<u>1,711,031</u>
16,096	-	63,779	394,875
6,768	-	-	421,103
-	37,666	-	342,850
-	-	-	106,383
-	-	-	7,987
212,401	216,291	-	428,692
<u>235,265</u>	<u>253,957</u>	<u>63,779</u>	<u>1,701,890</u>
(218,049)	19,581	(63,779)	9,141
<u>225,000</u>	<u>-</u>	<u>285,862</u>	<u>230,000</u>
6,951	19,581	222,083	239,141
<u>37,695</u>	<u>153,621</u>	<u>924,495</u>	<u>1,302,656</u>
<u>\$ 44,646</u>	<u>\$ 173,202</u>	<u>\$ 1,146,578</u>	<u>\$ 1,541,797</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Combining Statement of Fiduciary Net Position
Pension Trust Funds
December 31, 2022

	<u>Police Pension</u>	<u>Non-Uniform Pension - Defined Benefit</u>	<u>Non-Uniform Pension - Defined Contribution</u>	<u>Total</u>
Assets				
Cash and Cash Equivalents	\$ 205,765	\$ 28,876	\$ 135,919	\$ 370,560
Investments	20,486,538	4,112,026	346,959	24,945,523
Prepaid Benefits	<u>87,001</u>	<u>27,626</u>	<u>-</u>	<u>114,627</u>
Total Assets	20,779,304	4,168,528	482,878	25,430,710
Liabilities				
Accounts Payable	<u>22,113</u>	<u>-</u>	<u>-</u>	<u>22,113</u>
Net Position				
Held in Trust for Pension Benefits	<u>\$ 20,757,191</u>	<u>\$ 4,168,528</u>	<u>\$ 482,878</u>	<u>\$ 25,408,597</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
Year Ended December 31, 2022

	Police Pension	Non-Uniform Pension - Defined Benefit	Non-Uniform Pension - Defined Contribution	Total
Additions				
Contributions				
Plan Members	\$ 175,788	\$ 11,720	\$ 25,129	\$ 212,637
State	300,466	93,823	46,049	440,338
Employer	37,197	-	18,444	55,641
Total Contributions	<u>513,451</u>	<u>105,543</u>	<u>89,622</u>	<u>708,616</u>
Investment Income (Losses)				
Net Decrease in Fair Value of Investments	(5,019,119)	(1,010,706)	(92,922)	(6,122,747)
Dividends	<u>893,272</u>	<u>180,182</u>	<u>8,558</u>	<u>1,082,012</u>
	(4,125,847)	(830,524)	(84,364)	(5,040,735)
Less Investment Expense	<u>(56,412)</u>	<u>(11,430)</u>	<u>(5,478)</u>	<u>(73,320)</u>
Total Net Investment Income (Loss)	<u>(4,182,259)</u>	<u>(841,954)</u>	<u>(89,842)</u>	<u>(5,114,055)</u>
Miscellaneous Revenue	<u>667</u>	<u>12</u>	<u>-</u>	<u>679</u>
Total Additions	<u>(3,668,141)</u>	<u>(736,399)</u>	<u>(220)</u>	<u>(4,404,760)</u>
Deductions				
Benefits	1,216,536	330,741	10,585	1,557,862
Administrative Expense	<u>4,500</u>	<u>4,200</u>	<u>-</u>	<u>8,700</u>
Total Deductions	<u>1,221,036</u>	<u>334,941</u>	<u>10,585</u>	<u>1,566,562</u>
Change in Net Position	(4,889,177)	(1,071,340)	(10,805)	(5,971,322)
Net Position, Held in Trust				
Beginning of Year	<u>25,646,368</u>	<u>5,239,868</u>	<u>493,683</u>	<u>31,379,919</u>
End of Year	<u>\$ 20,757,191</u>	<u>\$ 4,168,528</u>	<u>\$ 482,878</u>	<u>\$ 25,408,597</u>

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, 2022

	Fire Fund		Variance
	Original Budget	Actual	Favorable (Unfavorable)
Revenues			
Taxes	\$ 593,884	\$ 595,398	\$ 1,514
Intergovernmental	-	-	-
Charges for Services	-	-	-
Interest Income and Rents	-	-	-
Miscellaneous Revenues	-	-	-
Total Revenues	<u>593,884</u>	<u>595,398</u>	<u>1,514</u>
Expenditures			
Public Safety	315,000	315,000	-
Public Works	-	-	-
Parks and Recreation	-	-	-
Debt Service - Principal	-	-	-
Debt Service - Interest	-	-	-
Total Expenditures	<u>315,000</u>	<u>315,000</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	278,884	280,398	1,514
Other Financing Sources (Uses)			
Operating Transfers In (Out)	<u>(270,000)</u>	<u>(285,862)</u>	<u>(15,862)</u>
Net Change in Fund Balances	8,884	(5,464)	(14,348)
Fund Balances			
Beginning of Year	<u>700</u>	<u>27,563</u>	<u>26,863</u>
End of Year	<u>\$ 9,584</u>	<u>\$ 22,099</u>	<u>\$ 12,515</u>

Park and Recreation Fund			State Highway Aid Fund		
Original Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Actual	Variance Favorable (Unfavorable)
\$ 226,800	\$ 211,272	\$ (15,528)	\$ -	\$ -	\$ -
-	-	-	514,920	513,602	(1,318)
69,000	85,524	16,524	-	-	-
20,200	5,950	(14,250)	500	-	(500)
32,500	8,531	(23,969)	-	-	-
<u>348,500</u>	<u>311,277</u>	<u>(37,223)</u>	<u>515,420</u>	<u>513,602</u>	<u>(1,818)</u>
-	-	-	-	-	-
-	-	-	447,370	414,335	33,035
415,615	305,184	110,431	-	-	-
-	-	-	84,000	106,383	(22,383)
-	-	-	-	7,987	(7,987)
<u>415,615</u>	<u>305,184</u>	<u>110,431</u>	<u>531,370</u>	<u>528,705</u>	<u>2,665</u>
(67,115)	6,093	73,208	(15,950)	(15,103)	847
20,000	5,000	(15,000)	-	-	-
(47,115)	11,093	58,208	(15,950)	(15,103)	847
42,916	36,024	(6,892)	122,758	123,258	500
<u>\$ (4,199)</u>	<u>\$ 47,117</u>	<u>\$ 51,316</u>	<u>\$ 106,808</u>	<u>\$ 108,155</u>	<u>\$ 1,347</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, 2022

	Park and Recreation Reserve Fund		
	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Intergovernmental	\$ -	\$ 175,000	\$ 175,000
Miscellaneous Revenues	20,000	98,538	78,538
Total Revenues	<u>20,000</u>	<u>273,538</u>	<u>253,538</u>
Expenditures			
Public Safety	-	-	-
Parks and Recreation	-	37,666	(37,666)
Capital Expenditures	301,000	216,291	84,709
Total Expenditures	<u>301,000</u>	<u>253,957</u>	<u>47,043</u>
Excess (Deficiency) of Revenues Over Expenditures	(281,000)	19,581	300,581
Other Financing Sources (Uses)			
Operating Transfers In (Out)	<u>180,000</u>	<u>-</u>	<u>(180,000)</u>
Net Change in Fund Balances	(101,000)	19,581	120,581
Fund Balances			
Beginning of Year	<u>192,811</u>	<u>153,621</u>	<u>(39,190)</u>
End of Year	<u>\$ 91,811</u>	<u>\$ 173,202</u>	<u>\$ 81,391</u>

Equipment Reserve Fund		
Original Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	63,779	(63,779)
-	-	-
-	-	-
-	63,779	(63,779)
-	(63,779)	(63,779)
275,000	285,862	10,862
275,000	222,083	(52,917)
938,945	924,495	(14,450)
\$ 1,213,945	\$ 1,146,578	\$ (67,367)

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
Capital Reserve Fund
Year Ended December 31, 2022

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Miscellaneous Revenues	\$ 20,300	\$ 17,216	\$ (3,084)
Expenditures			
Public Safety	-	16,096	(16,096)
Public Works	-	6,768	(6,768)
Capital Expenditures	265,000	212,401	52,599
Total Expenditures	<u>265,000</u>	<u>235,265</u>	<u>29,735</u>
Excess (Deficiency) of Revenues Over Expenditures	(244,700)	(218,049)	26,651
Other Financing Sources (Uses)			
Operating Transfers In (Out)	<u>225,000</u>	<u>225,000</u>	<u>-</u>
Net Change in Fund Balances	(19,700)	6,951	26,651
Fund Balances			
Beginning of Year	<u>35,447</u>	<u>37,695</u>	<u>2,248</u>
End of Year	<u><u>\$ 15,747</u></u>	<u><u>\$ 44,646</u></u>	<u><u>\$ 28,899</u></u>