

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PENNSYLVANIA**

Financial Report

December 31, 2017

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PENNSYLVANIA**

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HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PENNSYLVANIA

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Independent Auditor's Report

To the Board of Commissioners
Hatfield Township
Hatfield, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hatfield Township, Montgomery County, Pennsylvania, as of December 31, 2017, and for the year then ended, and the related notes to the financial statements, which collectively comprise the basic financial statements of Hatfield Township's primary government as listed in the table of contents.

Management's Responsibilities for the Financial Statements

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

Auditor's Responsibility

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

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

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



Basis for Adverse Opinion on the Reporting Entity

The financial statements referred to above include only the primary government of Hatfield Township, Montgomery County, Pennsylvania, which consists of all funds, departments, and offices that comprise the Township's legal entity. The financial statements do not include financial data for the Township's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the Township's primary government.

Adverse Opinion on the Reporting Entity

In our opinion, because of the significance of the matter described in the Basis for Adverse Opinion on the Reporting Entity paragraph, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Hatfield Township, Montgomery County, Pennsylvania, as of December 31, 2017, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. The Township's component units issue their own financial statements which are audited by other accounting firms. At this time, the component units' audit reports for the year ended December 31, 2017, are not complete.

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

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the government activities, the business-type activities, each major fund, and the aggregate remaining fund information for the primary government of Hatfield Township, Montgomery County, Pennsylvania as of December 31, 2017, and the respective changes in financial position, and where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 4-14 and 81-87 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The additional budget schedules on pages 88-90 and 97-101, 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 basic financial statements. The budget schedules and combining and individual nonmajor and pension trust fund financial statements are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Dunlap & Associates, P.C.

DUNLAP & ASSOCIATES, P.C.

Chalfont, Pa.
July 17, 2018

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2017

This discussion and analysis of Hatfield Township's financial performance provides an overview of the Township's financial activities for the year ended December 31, 2017. Please read it in conjunction with the Township's financial statement, which begins after the Management Discussion and Analysis.

FINANCIAL HIGHLIGHTS

- Hatfield Township's revenue remained strong, which has led to no tax increases for the fourth year in a row for 2017. Overall tax revenue increased to \$9.3 million in 2017 vs \$8.4 million in 2016
- The real estate market in the Township improved, as evidenced by a 90% gain in Transfer Taxes collected in 2017 versus 2016.
- Hatfield Township overall expenses were down almost 6% in 2017 vs 2016.

USING THIS REPORT

This report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 15 and 16-17) provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements start on page 18. For governmental activities, these statements tell how Township services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide statements by providing information about the Township's major funds. The remaining statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside the government.

Reporting on the Township as a Whole

The Statement of Net Position and Statement of Activities report information about the Township as a whole and about its activities in a way that helps answer the question of whether or not the Township is better or worse off as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These statements report the Township's net position and changes in them. The Township's net position (the difference between assets and liabilities) provide a measurement of the Township's financial health or financial position. Over time, increases or decreases in net position are an indicator of whether the Township's financial health is improving or deteriorating.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2017**

USING THIS REPORT (Continued)

Reporting Significant Funds

The fund financial statements begin on page 18 and provide detailed information about the most significant funds, not the Township as a whole. Some funds are required to be established by State law. However, the Board of Commissioners established many other funds to help it control or manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

The Township's basic services are reported in governmental funds, which focus on how money flows in and out of those funds and the balances left at yearend that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can be converted to cash. The governmental fund statements provide a detailed short-term view of the Township's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance Township programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are reconciled at the end of the fund financial statements.

The Township as a Trustee

The Township is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for escrow deposits received from developers, businesses, and individuals for legal and engineering fees. All of the Township's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 27 and 28. These activities are excluded from the Township's other financial statements because the Township cannot use these assets to finance its operations. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE TOWNSHIP AS A WHOLE

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

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2017

THE TOWNSHIP AS A WHOLE (Continued)

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

| Account | 2017 | 2016 | \$ Change | % Change |
|--|---------------------|---------------------|---------------------|----------|
| Capital Assets | \$34,472,717 | \$33,643,160 | \$ 829,557 | 2.47 |
| Current and Other Assets | 8,445,334 | 7,589,185 | 856,149 | 11.28 |
| Total Assets | <u>42,918,051</u> | <u>41,232,345</u> | <u>1,685,706</u> | 4.09 |
| Deferred Outflows of Resources | <u>794,593</u> | <u>1,174,558</u> | <u>1,969,151</u> | 167.65 |
| Long-Term Liabilities | 7,326,599 | 9,662,005 | (2,335,406) | (24.17) |
| Other Liabilities | 846,785 | 953,441 | (106,656) | (11.19) |
| Total Liabilities | <u>8,173,384</u> | <u>10,615,446</u> | <u>(2,442,062)</u> | (23.00) |
| Deferred Inflows of Resources | <u>1,768,566</u> | <u>411,688</u> | <u>1,356,878</u> | 329.59 |
| Net Position | | | | |
| Invested in Capital Assets, Net of Related Debt | 28,545,774 | 27,138,496 | 1,407,278 | 5.19 |
| Restricted | 3,784,550 | 4,012,405 | (227,855) | (5.68) |
| Unrestricted | <u>1,440,370</u> | <u>228,868</u> | <u>1,211,502</u> | 529.35 |
| Total Net Position | <u>\$33,770,694</u> | <u>\$31,379,769</u> | <u>\$ 2,390,925</u> | 7.62 |

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2017

THE TOWNSHIP AS A WHOLE (Continued)

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

| Account | 2017 | 2016 | \$ Change | % Change |
|-----------------------------------|---------------------|---------------------|------------------|---------------|
| Program Revenues | | | | |
| General Government | \$ 670,948 | \$ 592,675 | 78,273 | 13.21 |
| Police | 1,184,037 | 1,092,522 | 91,515 | 8.38 |
| Fire | 217,358 | 236,542 | (19,184) | (8.11) |
| Code Enforcement | 650,693 | 672,793 | (22,100) | (3.28) |
| Highway Maintenance | 777,710 | 2,574,437 | (1,796,727) | (69.79) |
| Snow Removal | 2,900 | 16,400 | (13,500) | (82.32) |
| Parks and Recreation | 234,653 | 405,676 | (171,023) | (42.16) |
| Pool | 628,531 | 700,202 | (71,671) | (10.24) |
| General Revenues | | | | |
| Real Estate Taxes | 5,003,198 | 4,542,798 | 460,400 | 10.13 |
| Transfer Taxes | 840,549 | 441,313 | 399,536 | 90.53 |
| Earned Income Taxes | 2,829,903 | 2,739,373 | 90,530 | 3.30 |
| Other Taxes | 702,813 | 695,266 | 7,547 | 1.09 |
| Grants and Contributions | 39,119 | 36,884 | 2,235 | 6.06 |
| Interest and Rents | 55,836 | 44,324 | 11,512 | 25.97 |
| Loss on Disposal of Equipment | (142,590) | 31,839 | (174,429) | (547.85) |
| Miscellaneous | 739,741 | 115,466 | 624,275 | 540.66 |
| Total Revenues (Forwarded) | <u>\$14,435,699</u> | <u>\$14,938,510</u> | <u>(502,811)</u> | <u>(3.37)</u> |

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2017

THE TOWNSHIP AS A WHOLE (Continued)

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

| Account | 2017 | 2016 | \$ Change | % Change |
|-----------------------------------|---------------------|---------------------|---------------------|----------|
| Total Revenues (Forwarded) | <u>\$14,435,699</u> | <u>\$14,938,510</u> | <u>\$ (502,811)</u> | (3.37) |
| Program Expenses | | | | |
| Finance and Tax Collection | 213,509 | 84,575 | 128,934 | 152.45 |
| Professional Services | 242,821 | 286,080 | (43,259) | (15.12) |
| General Government | 1,061,329 | 1,218,511 | (157,182) | (12.90) |
| Police | 5,343,079 | 5,553,432 | (210,353) | (3.79) |
| Fire | 660,907 | 1,021,695 | (360,788) | (35.31) |
| Code Enforcement | 370,231 | 333,033 | 37,198 | 11.17 |
| Highway Maintenance | 2,628,097 | 2,736,605 | (108,508) | (3.97) |
| Snow and Ice Removal | 67,273 | 54,553 | 12,720 | 23.32 |
| Street Lighting | 64,923 | 73,757 | (8,834) | (11.98) |
| Parks and Recreation | 509,894 | 503,424 | 6,470 | 1.29 |
| Pool | <u>882,711</u> | <u>868,106</u> | <u>14,605</u> | 1.68 |
| Total Expenses | <u>12,044,774</u> | <u>12,733,771</u> | <u>(688,997)</u> | (5.41) |
| Changes in Net Position | <u>\$ 2,390,925</u> | <u>\$ 2,204,739</u> | <u>\$ 186,186</u> | 8.44 |

Revenue Overview

Revenues decreased in 2017 from 2016. This was due to one-time revenue streams of \$1.8 million in 2016 for road grants and accounting adjustments for disposal of assets for approximately \$141,000 in 2017.

- Removing the 2016 one-time revenue stream and accounting adjustments in 2017, will adjust the revenue in 2017, in which the township collected more than \$1.4 million in revenue versus 2016.
- The transfer tax collected was 90% higher than the prior year due to two business transactions that are considered one-time revenue.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2017

THE TOWNSHIP AS A WHOLE (Continued)

Figure 1

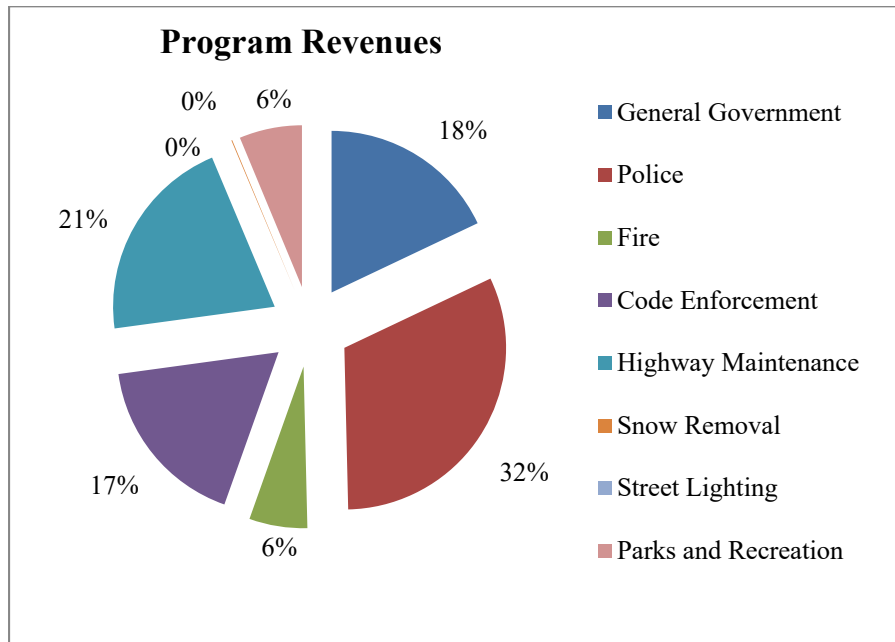
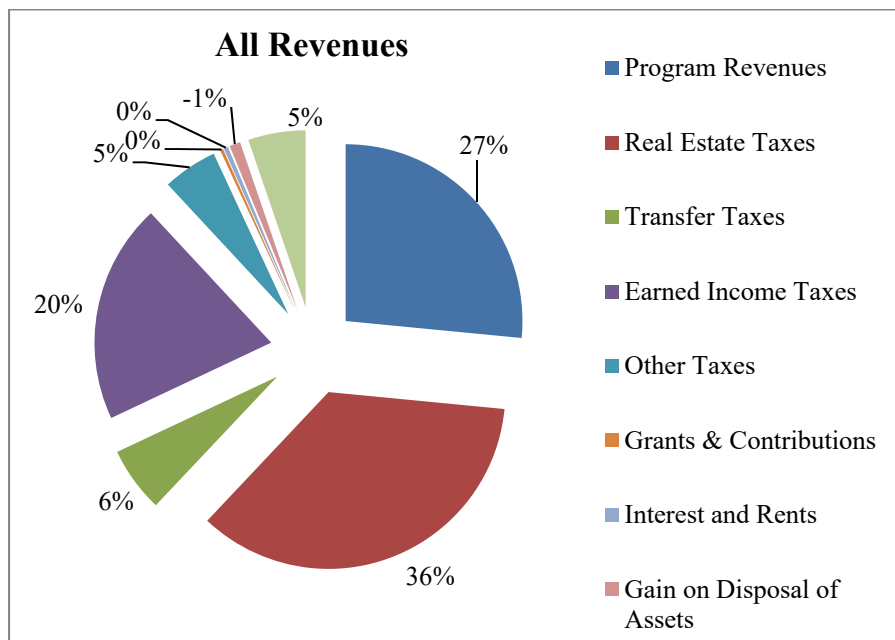


Figure 2



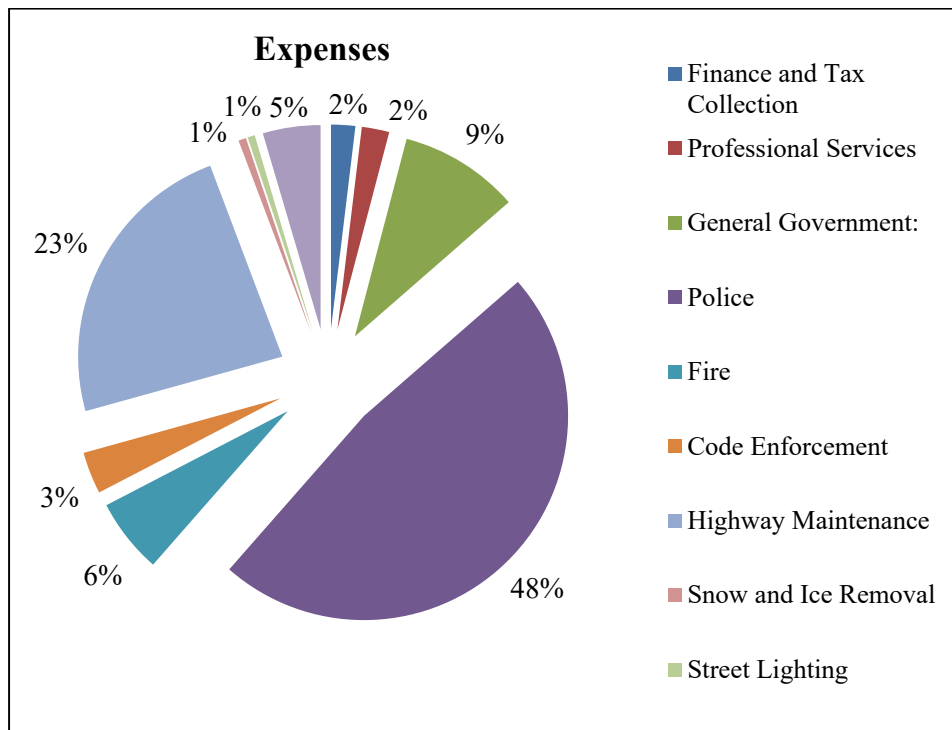
HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2017

THE TOWNSHIP AS A WHOLE (Continued)

Expense Overview

Total expenses decreased \$688,997 in 2017 from 2016. The decrease in General Government expenses can be attributed to the pension contributions decreasing due to the improvement of the overall performance of the funds of the plans. Police expenses decreased due to the hiring of 5 additional officers over the past couple of years that are still a savings versus a fully tenured police officer. The decrease in fire expenses was due to the fact that there were no major purchases in 2017.

Figure 3



HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2017

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 a number of parks and scattered open space parcels. Chief among the parks are Hatfield Community Park, School Road Park, Clemens Park, and Schweiker Park, along with an Arboretum and a Nature Area. In April 2004, the Township purchased a new facility for Public Works that is capable of meeting its needs well into the future. In March 2005, the township opened a new administration building. Finally, the Police Department building, which was 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.

ANALYSIS OF INDIVIDUAL FUNDS

General Fund

At the end of 2017, Hatfield Township was able to maintain adequate cash reserves of 15% in accordance with GFOA standards.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2017

ANALYSIS OF INDIVIDUAL FUNDS (Continued)

Other Funds

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

Capital Reserve Fund

The Township purchased a new car for the Police Department and a new truck for public works department.

Parks and Recreation Fund

In 2016, the Township starting adding onto the Frick's Trail with a scheduled finish date of spring 2019. The fund runs the Township Day Camps and its Summer Concert series.

State Aid Fund

The Township spent \$261,000 of liquid fuels funds on repaving roads within the Township.

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 had an average summer with plenty of sunny weather. At the end of the season, the Aquatic Center was able to fund \$35,000 worth of facility improvements without using any tax money.

Pension Plans

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Planning

In 2017, the Township completed the Walnut Street Bridge in the Township. The bridge was deemed a hazard by PennDot in 2013 and grant money was used to rebuild it with little cost to the township.

Debt

In 2017, the Township continued to pay down its long-term debt. Overall, the Township debt is \$6 million (page 50), well under the maximum borrowing limit of \$26 million. Within seven years, the Township is projected to pay off 75% of its outstanding debt.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2017

ECONOMIC FORECAST

In 2017, the Township had a strong year very similar to 2016; however, the Township will need to solve the problem of skyrocketing liabilities in the future that are a result of underfunded pensions and future OPEB obligations.

Non-Uniform Pension

In 2013, the Township's Board of Commissioners passed a resolution to establish a new Defined Contribution Pension Plan for all new hires. This resolution closes the Township Defined Benefit Pension to all employees hired after December 31, 2012. As of December 31, 2017, the Defined Benefit Pension Plan is 105% funded with net pension assets of approximately \$181,000. In 2015, the Township required that employees in the Defined Benefit Plan contribute 1.5% of regular salary towards the Plan to help fund it. However, as more non-uniformed employees enroll in the Defined Contribution Pension Plan versus the employees in the Define Benefit Pension Plan, the Township will begin to see overall savings from this resolution.

Uniform Defined Benefit Pension and OPEB

As of the December 31, 2017, actuarial valuation, the net pension liability of the Uniform Defined Benefit Pension is approximately \$1.7 million with a funding ratio of 91%. The Township's ability to manage the risk of this plan is very limited because all pensions related to uniform police are covered under Act 600, which was voted upon by the Commonwealth of Pennsylvania Legislature. Sadly, a number of proposals have been offered by the Pennsylvania Legislature to modify Act 600, but there is an absence of political will to change Act 600.

In the 2008 Uniform Contract negotiations, the uniform employees were award an Other Post-Employment Benefits (OPEB) in which the Township would pay half the insurance premium of fully retired uniform employees (25 years of service) up until the Medicare age requirement. Since OPEB was established in 2008 and has exclusions, the Township has adopted a Pay as You Go method for funding this liability. As required by GASB 45, the Township conducted its first actuarial study in 2014 on this future liability. The study projected the Township to have a maximum exposure of \$46,523 for 2017. However, only two retirees qualified for the benefit with a cost of \$15,302 in the year 2017.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2017**

ECONOMIC FORECAST (Continued)

Hatfield Township Economy

The amount of building permits that have been coming in from 2014 to early 2018 has risen dramatically. The Township now has three residential developments either in the early stages of selling or almost shovel ready. The Township commercial properties have seen an increase with the Township with its largest warehouse completed in 2017. The Township's largest business employer, Hatfield Meats, is still expanding and looks to be on strong financial ground.

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 (dbernhauser@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, 2017

| | Governmental Activities | Business-Type Activities | Total |
|--|----------------------------|-----------------------------|----------------------|
| Assets | | | |
| Current Assets | | | |
| Cash and Cash Equivalents | \$ 7,024,950 | \$ 16,600 | \$ 7,041,550 |
| Taxes and Other Receivables | 1,312,805 | 100 | 1,312,905 |
| Internal Balances | 3,171 | (3,171) | 0 |
| Due from Fiduciary Fund | 90,879 | 0 | 90,879 |
| Total Current Assets | <u>8,431,805</u> | <u>13,529</u> | <u>8,445,334</u> |
| Noncurrent Assets | | | |
| Net Capital Assets | 29,350,220 | 5,121,615 | 34,471,835 |
| Fair Value of Derivative Instrument | 0 | 882 | 882 |
| Total Noncurrent Assets | <u>29,350,220</u> | <u>5,122,497</u> | <u>34,472,717</u> |
| Total Assets | <u>37,782,025</u> | <u>5,136,026</u> | <u>42,918,051</u> |
| Deferred Outflows of Resources | | | |
| Pension Outflows | 764,465 | 0 | 764,465 |
| Accumulated Decrease in Fair Value of Derivative | 30,128 | 0 | 30,128 |
| Total Deferred Outflows of Resources | <u>794,593</u> | <u>0</u> | <u>794,593</u> |
| Liabilities | | | |
| Current Liabilities | | | |
| Current Portion of General Obligation Notes | 347,526 | 139,000 | 486,526 |
| Current Portion of Capital Lease Obligation | 40,674 | 0 | 40,674 |
| Accounts Payable and Accrued Expenses | 192,890 | 3,368 | 196,258 |
| Accrued Wages and Payroll Taxes | 122,110 | 1,217 | 123,327 |
| Total Current Liabilities | <u>703,200</u> | <u>143,585</u> | <u>846,785</u> |
| Noncurrent Liabilities | | | |
| General Obligation Note Payable | 3,241,442 | 2,028,000 | 5,269,442 |
| Capital Lease Obligation | 129,419 | 0 | 129,419 |
| Compensated Absences | 152,322 | 0 | 152,322 |
| Net Pension Liability | 1,570,949 | 0 | 1,570,949 |
| Other Post-Employment Benefits | 174,339 | 0 | 174,339 |
| Fair Value of Derivative Instrument | 30,128 | 0 | 30,128 |
| Total Noncurrent Liabilities | <u>5,298,599</u> | <u>2,028,000</u> | <u>7,326,599</u> |
| Total Liabilities | <u>6,001,799</u> | <u>2,171,585</u> | <u>8,173,384</u> |
| Deferred Inflows of Resources | | | |
| Pension Inflows | 1,767,684 | 0 | 1,767,684 |
| Accumulated Increase in Fair Value of Derivative | 0 | 882 | 882 |
| Total Deferred Inflows of Resources | <u>1,767,684</u> | <u>882</u> | <u>1,768,566</u> |
| Net Position | | | |
| Invested in Capital Assets, Net of Related Debt | 25,591,159 | 2,954,615 | 28,545,774 |
| Restricted for Capital Projects | 2,852,827 | 0 | 2,852,827 |
| Restricted for Other | 931,723 | 0 | 931,723 |
| Unrestricted | 1,431,426 | 8,944 | 1,440,370 |
| Total Net Position | <u>\$ 30,807,135</u> | <u>\$ 2,963,559</u> | <u>\$ 33,770,694</u> |

See Notes to Financial Statements.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Statement of Activities
Year Ended December 31, 2017

| Functions/Programs | Expenses | Program Revenue | | |
|-------------------------------|----------------------|-------------------------|--|-------------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental Activities | | | | |
| General Government | | | | |
| Finance and Tax Collection | \$ 213,509 | \$ 0 | \$ 0 | \$ 0 |
| Professional Fees | 242,821 | 0 | 0 | 0 |
| General Government | 1,061,329 | 399,630 | 271,318 | 0 |
| Public Safety | | | | |
| Police | 5,343,079 | 922,674 | 261,363 | 0 |
| Fire | 660,907 | 83,398 | 133,960 | 0 |
| Code Enforcement and Zoning | 370,231 | 640,982 | 9,711 | 0 |
| Highways | | | | |
| Highway Maintenance | 2,628,097 | 0 | 557,261 | 220,449 |
| Snow and Ice Removal | 67,273 | 2,900 | 0 | 0 |
| Street Lighting | 64,923 | 0 | 0 | 0 |
| Parks and Recreation | 509,894 | 130,677 | 103,976 | 0 |
| Total Governmental Activities | <u>11,162,063</u> | <u>2,180,261</u> | <u>1,337,589</u> | <u>220,449</u> |
| Business-Type Activities | | | | |
| Pool | <u>882,711</u> | <u>628,531</u> | <u>0</u> | <u>0</u> |
| Total | <u>\$ 12,044,774</u> | <u>\$ 2,808,792</u> | <u>\$ 1,337,589</u> | <u>\$ 220,449</u> |

General Revenues
Real Estate Taxes
Other Taxes
Grants and Contributions
Investment Income and Rents
Miscellaneous
Loss 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 |
| \$ (213,509) | \$ 0 | \$ (213,509) |
| (242,821) | 0 | (242,821) |
| (390,381) | 0 | (390,381) |
| (4,159,042) | 0 | (4,159,042) |
| (443,549) | 0 | (443,549) |
| 280,462 | 0 | 280,462 |
| (1,850,387) | 0 | (1,850,387) |
| (64,373) | 0 | (64,373) |
| (64,923) | 0 | (64,923) |
| (275,241) | 0 | (275,241) |
| (7,423,764) | 0 | (7,423,764) |
| 0 | (254,180) | (254,180) |
| (7,423,764) | (254,180) | (7,677,944) |
| 5,003,198 | 0 | 5,003,198 |
| 4,373,565 | 0 | 4,373,565 |
| 39,119 | 0 | 39,119 |
| 55,836 | 0 | 55,836 |
| 739,741 | 0 | 739,741 |
| (141,673) | (917) | (142,590) |
| (161,996) | 161,996 | 0 |
| 9,907,790 | 161,079 | 10,068,869 |
| 2,484,026 | (93,101) | 2,390,925 |
| 28,323,109 | 3,056,660 | 31,379,769 |
| \$ 30,807,135 | \$ 2,963,559 | \$ 33,770,694 |

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Balance Sheet
Governmental Funds
December 31, 2017

| | <u>General Fund</u> | <u>Capital Reserve Fund</u> | <u>Recycling Fund</u> |
|--|----------------------------|---------------------------------|----------------------------|
| Assets | | | |
| Cash and Cash Equivalents | \$ 3,242,142 | \$ 263,821 | \$ 1,631,710 |
| Taxes Receivable | 1,123,135 | 0 | 0 |
| Other Receivables | 152,470 | 0 | 0 |
| Due from Other Funds | <u>83,695</u> | <u>0</u> | <u>0</u> |
| Total Assets | <u><u>\$ 4,601,442</u></u> | <u><u>\$ 263,821</u></u> | <u><u>\$ 1,631,710</u></u> |
| Liabilities and Fund Balances | | | |
| Liabilities | | | |
| Accounts Payable and Accrued Expenses | \$ 148,940 | \$ 0 | \$ 0 |
| Accrued Wages and Payroll Taxes | <u>120,247</u> | <u>0</u> | <u>0</u> |
| Total Liabilities | <u>269,187</u> | <u>0</u> | <u>0</u> |
| Deferred Inflows of Resources | | | |
| Deferred Tax Receipts | <u>255,831</u> | <u>0</u> | <u>0</u> |
| Fund Balances | | | |
| Restricted | 0 | 0 | 0 |
| Assigned | 0 | 263,821 | 1,631,710 |
| Unassigned | <u>4,076,424</u> | <u>0</u> | <u>0</u> |
| Total Fund Balances | <u>4,076,424</u> | <u>263,821</u> | <u>1,631,710</u> |
| Total Liabilities and Fund Balances | <u><u>\$ 4,601,442</u></u> | <u><u>\$ 263,821</u></u> | <u><u>\$ 1,631,710</u></u> |

See Notes to Financial Statements.

| Nonmajor Governmental Funds | Total Governmental Funds |
|-----------------------------------|--------------------------------|
| \$ 1,887,277 | \$ 7,024,950 |
| 35,244 | 1,158,379 |
| 1,956 | 154,426 |
| 10,355 | 94,050 |
| <u>\$ 1,934,832</u> | <u>\$ 8,431,805</u> |

| | |
|---------------|----------------|
| \$ 43,950 | \$ 192,890 |
| 1,863 | 122,110 |
| <u>45,813</u> | <u>315,000</u> |

| | |
|---------------|----------------|
| <u>16,182</u> | <u>272,013</u> |
|---------------|----------------|

| | |
|---------------------|---------------------|
| 1,054,514 | 1,054,514 |
| 818,323 | 2,713,854 |
| 0 | 4,076,424 |
| <u>1,872,837</u> | <u>7,844,792</u> |
| <u>\$ 1,934,832</u> | <u>\$ 8,431,805</u> |

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2017

| | |
|--|-----------------------------|
| Total Governmental Fund Balances | \$ 7,844,792 |
| 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 \$18,250,259. | 29,350,220 |
| Other Long-Term Assets Are Not Available to Pay Current Period Expenditures, and Therefore Are Deferred in the Funds. | |
| Taxes Receivable | 272,013 |
| Deferred Accumulated Decrease in Fair Value of Derivative Instrument | 30,128 |
| Deferred Pension Outflows of Resources Are Not Available in the Current Period | 764,465 |
| Long-Term Liabilities Are Not Due and Payable in the Current Period, and, Therefore, Are Not Reported in the Funds. | |
| General Obligation Note Payable | (3,588,968) |
| Capital Lease Obligation | (170,093) |
| Compensated Absences | (152,322) |
| Net Pension Liability | (1,570,949) |
| Other Post-Employment Benefits | (174,339) |
| Fair Value of Derivative Instruments | (30,128) |
| Deferred Pension Inflows of Resources Are Not Available in the Current Period | <u>(1,767,684)</u> |
| Net Position of Governmental Activities | <u><u>\$ 30,807,135</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, 2017

| | <u>General Fund</u> | <u>Capital Reserve Fund</u> | <u>Recycling Fund</u> |
|---|---------------------|---------------------------------|-----------------------|
| Revenues | | | |
| Taxes | \$ 8,100,679 | \$ 0 | \$ 0 |
| Intergovernmental | 484,199 | 6,044 | 0 |
| Charges for Services | 1,485,763 | 0 | 0 |
| Fines, Licenses and Permits | 501,547 | 0 | 0 |
| Interest Income and Rents | 40,131 | 0 | 0 |
| Miscellaneous Revenues | 178,213 | 5,001 | 859,248 |
| Total Revenues | <u>10,790,532</u> | <u>11,045</u> | <u>859,248</u> |
| Expenditures | | | |
| General Government | 1,041,125 | 0 | 0 |
| Public Safety | 4,018,716 | 3,618 | 0 |
| Public Works | 1,226,103 | 0 | 32,534 |
| Parks and Recreation | 0 | 0 | 1,905 |
| Debt Service - Principal | 3,532 | 0 | 0 |
| Debt Service - Interest | 2,592 | 0 | 0 |
| Capital Expenditures | 284,020 | 1,199,858 | 41,590 |
| Insurance and Employee Benefits | 2,806,006 | 0 | 0 |
| Miscellaneous Governmental | 15,674 | 0 | 0 |
| Total Expenditures | <u>9,397,768</u> | <u>1,203,476</u> | <u>76,029</u> |
| Excess (Deficiency) of Revenues Over Expenditures | 1,392,764 | (1,192,431) | 783,219 |
| Other Financing Sources (Uses) | | | |
| Operating Transfers In (Out) | <u>(145,000)</u> | <u>120,000</u> | <u>(73,545)</u> |
| Net Change in Fund Balances | 1,247,764 | (1,072,431) | 709,674 |
| Fund Balances | | | |
| Beginning of Year | <u>2,828,660</u> | <u>1,336,252</u> | <u>922,036</u> |
| End of Year | <u>\$ 4,076,424</u> | <u>\$ 263,821</u> | <u>\$ 1,631,710</u> |

See Notes to Financial Statements.

| Nonmajor Governmental Funds | Total Governmental Funds |
|-----------------------------------|--------------------------------|
| \$ 1,481,875 | \$ 9,582,554 |
| 508,891 | 999,134 |
| 130,677 | 1,616,440 |
| 0 | 501,547 |
| 15,705 | 55,836 |
| 321,996 | 1,364,458 |
| <u>2,459,144</u> | <u>14,119,969</u> |
| 499 | 1,041,624 |
| 378,150 | 4,400,484 |
| 261,037 | 1,519,674 |
| 386,076 | 387,981 |
| 546,597 | 550,129 |
| 89,767 | 92,359 |
| 576,680 | 2,102,148 |
| 0 | 2,806,006 |
| 0 | 15,674 |
| <u>2,238,806</u> | <u>12,916,079</u> |
| 220,338 | 1,203,890 |
| <u>(63,451)</u> | <u>(161,996)</u> |
| 156,887 | 1,041,894 |
| <u>1,715,950</u> | <u>6,802,898</u> |
| <u>\$ 1,872,837</u> | <u>\$ 7,844,792</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, 2017

| | |
|--|--------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ 1,041,894 |
|--|--------------|

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 \$2,102,148 Exceeded Depreciation Expense of \$1,071,597 and the Net Book Value of Assets Disposed of \$146,674 in the Current Year. | 883,877 |
|--|---------|

| | |
|--|-----------|
| Revenues in the Statement of Activities That Do Not Provide Current Financial Resources Are Not Reported As Revenues in the Funds. | (165,210) |
|--|-----------|

| | |
|---|---------|
| Repayment of Notes Payable and Capital Lease Principal Is An Expenditure in the Governmental Funds, but the Repayment Reduces Liabilities in the Statement of Net Position. | 550,129 |
|---|---------|

| | |
|---|----------|
| 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 | (19,058) |

| | |
|--|-------------|
| Other Benefits Do Not Require the Use of Current Financial Resources and, Therefore, Are Not Reported as Expenditures in Governmental Funds. | |
| Deferred Pension Outflows | (353,837) |
| Net Pension Liability | 1,974,364 |
| Other Post-Employment Benefits | (66,621) |
| Deferred Pension Inflows | (1,361,512) |

| | |
|---|--------------|
| Change in Net Position of Governmental Activities | \$ 2,484,026 |
|---|--------------|

See Notes to Financial Statements.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Statement of Net Position
Proprietary Funds - Pool Fund
December 31, 2017**

Assets

| | |
|-------------------------------------|-------------------------|
| Current Assets | |
| Cash | \$ 16,600 |
| Accounts Receivable | 100 |
| Total Current Assets | <u>16,700</u> |
| Noncurrent Assets | |
| Net Capital Assets | 5,121,615 |
| Fair Value of Derivative Instrument | 882 |
| Total Noncurrent Assets | <u>5,122,497</u> |
| Total Assets | <u><u>5,139,197</u></u> |

Liabilities

| | |
|--|-------------------------|
| Current Liabilities | |
| Current Portion of General Obligation Note | 139,000 |
| Accounts Payable and Accrued Expenses | 3,368 |
| Accrued Wages and Payroll Taxes | 1,217 |
| Due to Other Funds | 3,171 |
| Total Current Liabilities | <u>146,756</u> |
| Noncurrent Liabilities | |
| General Obligation Note Payable | <u>2,028,000</u> |
| Total Liabilities | <u><u>2,174,756</u></u> |

Deferred Inflows of Resources

| | |
|---|------------|
| Accumulated Increase in Fair Value of Derivative Instrument | <u>882</u> |
|---|------------|

Net Position

| | |
|---|----------------------------|
| Invested in Capital Assets, Net of Related Debt | 2,954,615 |
| Unrestricted | <u>8,944</u> |
| Total Net Position | <u><u>\$ 2,963,559</u></u> |

See Notes to Financial Statements.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds - Pool Fund
Year Ended December 31, 2017

| | |
|---|----------------------------|
| Operating Revenues | |
| Charges and Fees | \$ 625,703 |
| Miscellaneous | 2,828 |
| Total Operating Revenues | <u>628,531</u> |
| Operating Expenses | |
| Salaries and Benefits | 418,443 |
| Depreciation | 190,868 |
| Snack Bar | 55,533 |
| Utilities | 53,394 |
| Repairs and Maintenance | 42,822 |
| Pool Supplies | 24,746 |
| Office Supplies and Expenses | 22,675 |
| Uniforms | 10,838 |
| Other Expenses | 9,513 |
| Total Operating Expenses | <u>828,832</u> |
| Operating Loss Before Nonoperating Revenues | <u>(200,301)</u> |
| Nonoperating Revenues (Expenses) | |
| Interest Expense | (53,879) |
| Loss on Disposal of Capital Assets | (917) |
| Transfers from Other Funds | 161,996 |
| Total Nonoperating Revenue (Expenses) | <u>107,200</u> |
| Change in Net Position | (93,101) |
| Net Position | |
| Beginning of Year | <u>3,056,660</u> |
| End of Year | <u><u>\$ 2,963,559</u></u> |

See Notes to Financial Statements.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2017

| | |
|--|--------------------------|
| Cash Flows from Operating Activities | |
| Receipts from Customers | \$ 628,431 |
| Payments to Suppliers | (216,276) |
| Payments to Employees | (415,237) |
| Net Cash Used in Operating Activities | <u>(3,082)</u> |
| Cash Flows from Noncapital Financing Activities | |
| Transfers from Other Funds | <u>161,996</u> |
| Cash Flows from Capital and Related Financing Activities | |
| Purchase of Capital Assets | (29,058) |
| Principal Paid on Capital Debt | (136,000) |
| Interest Paid on Capital Debt | (53,879) |
| Net Cash Used in Capital and Related Financing Activities | <u>(218,937)</u> |
| Net Decrease in Cash | (60,023) |
| Cash | |
| Beginning of Year | <u>76,623</u> |
| End of Year | <u><u>\$ 16,600</u></u> |
| Reconciliation of Operating Loss to Net Cash Provided by Operating Activities | |
| Operating Loss | \$ (200,301) |
| Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities | |
| Depreciation Expense | 190,868 |
| Change in Net Assets and Liabilities | |
| Accounts Receivable | (100) |
| Accounts Payable and Accrued Expenses | 3,245 |
| Accrued Wages and Payroll Taxes | 35 |
| Due to Other Funds | 3,171 |
| Net Cash Used in Operating Activities | <u><u>\$ (3,082)</u></u> |

See Notes to Financial Statements.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Statement of Fiduciary Net Position
December 31, 2017

| | <u>Pension Trust Funds</u> | <u>Agency Fund</u> |
|------------------------------------|--------------------------------|----------------------------|
| Assets | | |
| Cash and Cash Equivalents | \$ 604,397 | \$ 1,036,233 |
| Investments | 21,031,271 | 0 |
| Contributions Receivable | 5,773 | 0 |
| Accrued Interest Receivable | <u>73,430</u> | <u>0</u> |
| Total Assets | <u>21,714,871</u> | <u>1,036,233</u> |
| Liabilities | | |
| Due to Other Funds | 0 | \$ 90,879 |
| Escrow Deposits | <u>0</u> | <u>945,354</u> |
| Total Liabilities | <u>0</u> | <u><u>\$ 1,036,233</u></u> |
| Net Position | | |
| Held in Trust for Pension Benefits | <u><u>\$ 21,714,871</u></u> | |

See Notes to Financial Statements.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Statement of Changes in Fiduciary Net Position
Pension Trust Funds
Year Ended December 31, 2017

| | |
|---|-----------------------------|
| Additions | |
| Contributions | |
| Plan Members | \$ 157,094 |
| State | 339,531 |
| Employer | 488,537 |
| Total Contributions | <u>985,162</u> |
| Investment Earnings | |
| Net Increase in Fair Value of Investments | 2,586,412 |
| Dividends | 509,990 |
| | <u>3,096,402</u> |
| Less Investment Expense | (81,890) |
| Total Net Investment Gain | <u>3,014,512</u> |
| Miscellaneous Revenue | <u>207</u> |
| Total Additions | <u>3,999,881</u> |
| Deductions | |
| Benefits | 920,979 |
| Administrative Expense | 25,977 |
| Total Deductions | <u>946,956</u> |
| Change in Net Position | 3,052,925 |
| Net Position, Held in Trust | |
| Beginning of Year | <u>18,661,946</u> |
| End of Year | <u><u>\$ 21,714,871</u></u> |

See Notes to Financial Statements.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2017

1. Summary of Significant Accounting Policies

Hatfield Township was incorporated March 9, 1730, in Montgomery County, Pennsylvania. The Township is classified as a “Township of the First Class” under the laws of the Commonwealth of Pennsylvania and provides the following services as authorized by its charter: public safety, highways and streets, culture-recreation, public improvements, planning and zoning, and general and administrative services. For financial reporting purposes, in accordance with Government Accounting Standards Board (GASB) Statement 14, the Township includes all funds that are part of the primary financial reporting entity.

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

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

A. Reporting Entity

The Township’s financial reporting entity comprises the following:

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

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2017

1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Government Accounting Standards Board (GASB) Statement No. 14, as amended by GASB 61, requires Hatfield Township to include all component units in its annual financial statements. A component unit is defined as any legally separate entity which is controlled by and is financially accountable to the Township.

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, 2017.

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

Blended Component Units

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

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

Discretely Presented Component Units

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

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

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2017**

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, 2017**

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, 2017**

1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

FUND FINANCIAL STATEMENTS (Continued)

Governmental Funds (Continued)

Special Revenue Funds (Continued)

| <u>Fund</u> | <u>Description</u> | <u>Major Fund?</u> |
|--------------------------|--|--------------------|
| State Highway Aid Fund | Accounts for revenues and expenditures of state liquid fuels grant funds | No |
| Park and Recreation Fund | Accounts for revenues and expenditures of park and recreation funds | No |
| Fire Fund | Accounts for revenues and expenditures of fire protection tax funds | No |

Capital Projects Fund - Capital projects funds are used to account for financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The reporting entity includes the following capital projects funds:

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

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2017**

1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

FUND FINANCIAL STATEMENTS (Continued)

Governmental Funds (Continued)

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

Proprietary Funds

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

Fiduciary Funds

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

C. Measurement Focus and Basis of Accounting

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

Measurement Focus

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

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2017**

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, 2017

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 Government Accounting Standards Board (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, 2017

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

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2017**

1. Summary of Significant Accounting Policies (Continued)

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.

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 \$152,322 for vested compensatory time at December 31, 2017.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2017**

1. Summary of Significant Accounting Policies (Continued)

K. Equity Classifications

Government-Wide Statements

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

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

Fund Statements

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

Nonspendable – includes amounts that cannot be spent because they are not in spendable form or they are legally or contractually required to be kept intact. The Township did not have any nonspendable fund balances at December 31, 2017.

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

Committed – includes amounts that can only be used for specific purposes with constraints that are established by a formal action of the Board of Commissioners. The constraint can only be changed or removed by another formal action of the Board. The Township's fund balance policy requires passage of a Resolution or an Ordinance by the Board in order to set aside funds as Committed. The Township did not have any committed fund balances at December 31, 2017.

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

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2017

1. Summary of Significant Accounting Policies (Continued)

K. Equity Classifications (Continued)

Fund Statements (Continued)

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

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

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

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

L. 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 two types 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 two types of this item that qualifies for reporting in this category in the government-wide financial statements. Additionally, the Township has one type 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.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2017

1. Summary of Significant Accounting Policies (Continued)

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.

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.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2017**

1. Summary of Significant Accounting Policies (Continued)

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, Capital Reserve, Recycling, and Pool Funds and other nonmajor funds. For the year ended December 31, 2017, General and Recycling Fund expenditures exceeded appropriations in various categories by \$68,579 and \$2,590, respectively. These excess expenditures were funded by greater than anticipated revenues. The Capital Reserve Fund exceeded appropriations in the public safety category by \$3,618. These excess expenditures were funded by the fund balance carryforward. Additionally, the Pool Fund expenditures exceeded appropriations in various categories by \$204,797, mainly due to the fact that depreciation expense of approximately \$190,000 was not budgeted. These excess expenditures were funded by the available fund balance carryforward.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2017

2. Cash and Investments

Cash and investments as of December 31, 2017, are classified in the accompanying financial statements as follows:

| | |
|--------------------------------------|----------------------|
| Statement of Net Position: | |
| Cash | \$ 7,041,550 |
| Statement of Fiduciary Net Position: | |
| Cash | 1,640,630 |
| Investments | <u>21,031,271</u> |
| Total Cash and Investments | <u>\$ 29,713,451</u> |

Cash and investments as of December 31, 2017, consist of the following:

| | |
|--------------------------------------|----------------------|
| Deposits with Financial Institutions | \$ 8,077,783 |
| Money Market Funds | 604,397 |
| Investments | <u>21,031,271</u> |
| Total Cash and Investments | <u>\$ 29,713,451</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, 2017, \$8,565,025 of the Township's bank balance of \$8,815,025 was uninsured but collateralized by securities held by the bank or by its trust department or agent, but not in the Township's name.

B. Investments

At December 31, 2017, the Township's investments consisted of the following:

| | |
|--------------------------------------|----------------------|
| Fiduciary Funds: | |
| Certificates of Deposit | \$ 785,000 |
| Common Stocks | 11,035,235 |
| Mortgage and Asset-Backed Securities | 2,553,299 |
| Corporate Bonds | 2,662,913 |
| Mutual Funds | <u>3,994,824</u> |
| Total Investments | <u>\$ 21,031,271</u> |

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2017**

2. Cash and Investments (Continued)

B. Investments (Continued)

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 \$604,397 are covered by Securities Investor Protection Corporation up to \$250,000. The certificates of deposit of \$785,000 are fully covered by the Federal Deposit Insurance Corporation in various banking institutions.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2017

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, 2017, the Township's investments were rated by Moody's as follows:

| | <u>Fair Value</u> | <u>Rating</u> |
|--|-----------------------------|---------------|
| Investments | | |
| Federal Home Loan Bank | \$ 649,529 | AAA |
| Federal Farm Credit Bank | 1,122,031 | AAA |
| Federal Home Loan Mortgage Association | 264,231 | AAA |
| Federal National Mortgage Association | 438,787 | AAA |
| Federal Agricultural Mortgage Co. | 78,721 | AAA |
| Corporate Bonds | <u>2,662,913</u> | AA2 – BAA2 |
| Total Exposed to Credit Risk | 5,216,212 | |
| Not Rated** | <u>15,815,059</u> | |
| Total Investments | <u><u>\$ 21,031,271</u></u> | |

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

Concentration of Credit Risk

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

| | |
|--|-------------|
| Vanguard Total International Stock ETF | \$1,391,049 |
| American Funds EuroPacific Growth | \$1,370,135 |
| Federal Farm Credit Bank | \$1,122,031 |

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2017**

2. Cash and Investments (Continued)

B. Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in interest rates. The Township does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The Township's investments at December 31, 2017, including the following:

| <u>Remaining Maturities</u> | <u>Mortgage and Asset-Backed Securities</u> | <u>Corporate Bonds</u> |
|---------------------------------|---|----------------------------|
| 1 Year or Less | \$ 74,484 | \$ 111,064 |
| 2 - 5 Years | 1,304,390 | 1,259,890 |
| 6 - 10 Years | <u>1,174,425</u> | <u>1,291,959</u> |
| Total | <u>\$ 2,553,299</u> | <u>\$ 2,662,913</u> |

The Township's investments shown above have remaining maturity dates that range from the years 2018 to 2028. The securities with longer maturity dates are highly sensitive to interest

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2017

2. Cash and Investments (Continued)

B. Investments (Continued)

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, 2017, is as follows:

| | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|--|----------------------|--|---|--|
| Certificates of Deposit | \$ 785,000 | \$ 785,000 | \$ 0 | \$ 0 |
| Common Stock | 11,035,235 | 11,035,235 | 0 | 0 |
| Federal Home Loan Mortgage Association | 264,231 | 0 | 264,231 | 0 |
| Federal National Mortgage Association | 438,787 | 0 | 438,787 | 0 |
| Federal Home Loan Bank | 649,529 | 0 | 649,529 | 0 |
| Federal Farm Credit Bank | 1,122,031 | 0 | 1,122,031 | 0 |
| Federal Agricultural Bank Co. | 78,721 | 0 | 78,721 | 0 |
| Corporate Bonds | 2,662,913 | 2,662,913 | 0 | 0 |
| Mutual Funds | 3,994,824 | 3,994,824 | 0 | 0 |
| Total Investments | <u>\$ 21,031,271</u> | <u>\$ 18,477,972</u> | <u>\$ 2,553,299</u> | <u>\$ 0</u> |

3. Fiduciary Funds – Escrow Fund

The Escrow Fund is an Agency Fund in that the Township has custodial capacity of funds deposited with it on behalf of developers, other applicants and other municipalities. Escrow deposits of \$945,354 represent the net developer and other balances held at December 31, 2017.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2017

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 \$1,149,951,280 for 2017. 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, 2017: general purposes, 3.688 mills; fire tax purposes, .620 mills; park and recreation, .220 mills; debt service, .694 mills. Additionally, during 2017, the Township received approximately \$345,000 from real estate tax assessment settlements.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2017

5. Capital Assets

Capital asset activity for the year ended December 31, 2017, was as follows:

| | Balance 1/1/17 | Additions | Disposals | Balance 12/31/17 |
|--|----------------------|---------------------|-------------------|----------------------|
| Governmental Activities | | | | |
| Assets Not Being Depreciated | | | | |
| Land | \$ 9,560,387 | \$ 10,000 | \$ 0 | \$ 9,570,387 |
| Depreciable Assets | | | | |
| Land Improvements | 783,966 | 307,235 | 0 | 1,091,201 |
| Buildings and Improvements | 7,404,206 | 40,920 | 9,935 | 7,435,191 |
| Park Equipment and Improvements | 872,418 | 13,270 | 12,708 | 872,980 |
| Equipment | 733,070 | 38,228 | 31,924 | 739,374 |
| Vehicles | 1,912,386 | 172,586 | 33,503 | 2,051,469 |
| Furniture and Fixtures | 55,187 | 0 | 0 | 55,187 |
| Infrastructure | 24,942,405 | 1,632,950 * | 790,665 | 25,784,690 |
| Total at Historical Cost | 46,264,025 | 2,215,189 | 878,735 | 47,600,479 |
| Less Accumulated Depreciation | | | | |
| Land Improvements | 399,844 | 27,313 | 0 | 427,157 |
| Buildings and Improvements | 2,715,121 | 203,019 | 3,684 | 2,914,456 |
| Park Equipment and Improvements | 511,260 | 30,308 | 12,087 | 529,481 |
| Equipment | 344,833 | 56,448 | 31,806 | 369,475 |
| Vehicles | 1,294,385 | 179,018 | 33,503 | 1,439,900 |
| Furniture and Fixtures | 52,094 | 1,800 | 0 | 53,894 |
| Infrastructure | 12,593,186 | 573,691 | 650,981 | 12,515,896 |
| Total Accumulated Depreciation | 17,910,723 | 1,071,597 | 732,061 | 18,250,259 |
| Total Governmental Activities Net Capital Assets | <u>\$ 28,353,302</u> | <u>\$ 1,143,592</u> | <u>\$ 146,674</u> | <u>\$ 29,350,220</u> |
| * Includes property acquired through a capital lease for \$113,041 | | | | |
| Business-Type Activities | | | | |
| Pool | \$ 6,968,763 | \$ 29,058 | \$ 2,000 | \$ 6,995,821 |
| Less Accumulated Depreciation | 1,684,421 | 190,868 | 1,083 | 1,874,206 |
| Total Business-Type Net Capital Assets | <u>\$ 5,284,342</u> | <u>\$ (161,810)</u> | <u>\$ 917</u> | <u>\$ 5,121,615</u> |

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2017

5. Capital Assets (Continued)

Depreciation expense was charged to programs as follows:

| | |
|----------------------------|---------------------|
| Governmental Activities | |
| General Government | \$ 126,860 |
| Police | 123,464 |
| Highway Maintenance | 741,036 |
| Parks | 73,205 |
| Code Enforcement | 7,032 |
| | <u>1,071,597</u> |
| Business-Type Activities | |
| Pool | <u>190,868</u> |
| Total Depreciation Expense | <u>\$ 1,262,465</u> |

6. Long-Term Obligations

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

| | Balance 1/1/17 | Additions | Reductions | Balance 12/31/17 | Due Within One Year |
|---|---------------------|-------------------|-------------------|---------------------|------------------------|
| Governmental Activities | | | | | |
| 2003 General Obligation Note - Series A | \$ 539,000 | \$ 0 | \$ 170,000 | \$ 369,000 | \$ 59,000 |
| 2003 General Obligation Note - Series B | 733,000 | 0 | 0 | 733,000 | 115,000 |
| 2011 General Obligation Note - Series B | 745,000 | 0 | 0 | 745,000 | 0 |
| 2014 General Obligation Note | 1,471,000 | 0 | 61,000 | 1,410,000 | 63,000 |
| Pennsylvania Infrastructure Loan | 176,028 | 0 | 176,028 | 0 | 0 |
| County Promissory Note | 442,495 | 0 | 110,527 | 331,968 | 110,526 |
| Compensated Absences | 133,264 | 19,058 | 0 | 152,322 | 0 |
| Capital Lease Obligations – Truck | 89,625 | 0 | 29,041 | 60,584 | 29,867 |
| Capital Lease Obligations – Lights | 0 | 113,041 | 3,532 | 109,509 | 10,807 |
| Business-Type Activities | | | | | |
| 2006 General Obligation Note | 1,563,000 | 0 | 135,000 | 1,428,000 | 138,000 |
| 2011 General Obligation Note - Series A | 740,000 | 0 | 1,000 | 739,000 | 1,000 |
| | <u>\$ 6,632,412</u> | <u>\$ 132,099</u> | <u>\$ 686,128</u> | <u>\$ 6,078,383</u> | <u>\$ 527,200</u> |

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2017

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, 2017

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>12/31/17 Interest Rate</u> | <u>Interest</u> | <u>Total Debt Service</u> |
|-----------------|-------------------|-----------------------------------|------------------|-------------------------------|
| Series A | | | | |
| 2018 | \$ 59,000 | 1.60 – 4.499% | \$ 5,880 | \$ 64,880 |
| 2019 | 60,000 | 1.60 – 4.499% | 4,850 | 64,850 |
| 2020 | 61,000 | 1.60 – 4.499% | 3,802 | 64,802 |
| 2021 | 62,000 | 1.60 – 4.499% | 2,736 | 64,736 |
| 2022 | 63,000 | 1.60 – 4.499% | 1,654 | 64,654 |
| 2023 | 64,000 | 1.60 – 4.499% | 554 | 64,554 |
| | <u>\$ 369,000</u> | | <u>\$ 19,476</u> | <u>\$ 388,476</u> |
| Series B | | | | |
| 2018 | \$ 115,000 | 1.60 – 4.00% | \$ 19,124 | \$ 134,124 |
| 2019 | 117,000 | 1.60 – 4.00% | 15,876 | 132,876 |
| 2020 | 120,000 | 1.60 – 4.00% | 12,540 | 132,540 |
| 2021 | 124,000 | 1.60 – 4.00% | 9,088 | 133,088 |
| 2022 | 127,000 | 1.60 – 4.00% | 5,520 | 132,520 |
| 2023 | 130,000 | 1.60 – 4.00% | 1,856 | 131,856 |
| | <u>\$ 733,000</u> | | <u>\$ 64,004</u> | <u>\$ 797,004</u> |

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2017

6. Long-Term Obligations (Continued)

B. 2006 General Obligation Note

On August 25, 2006, the Township issued a General Obligation Note in the amount of \$3,500,000 through the Delaware Valley Regional Finance Authority. The interest rate on this note was both fixed and variable. On January 25, 2011, the Township issued the 2011 General Obligation Note, Series A and B for the purpose of refunding the variable portion of this note (see Item C) and entering into a fixed rate swap (see Note 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 terminates effective August 25, 2020, and unless the Township requests a new fixed rate, the note will bear interest at the variable rate. The future debt service requirements below are calculated on the assumption that the variable rate will increase to 3% within five years of the conversion date. Principal payments are due on August 25 of each year as shown below. These notes were issued for the purpose of constructing a new municipal pool complex. These notes were issued as non-electoral debt. The Township has pledged its full faith and taxing power, and is required to include in its budget for each year the amount of debt service on the notes, which will be payable in such fiscal year.

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

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

| <u>Year</u> | <u>Principal</u> | <u>12/31/17 Interest Rate</u> | <u>Interest</u> | <u>Total Debt Service</u> |
|-------------|---------------------|-----------------------------------|-------------------|-------------------------------|
| 2018 | \$ 138,000 | 1.875 – 4.475% | \$ 47,838 | \$ 185,838 |
| 2019 | 142,000 | 1.875 – 4.475% | 43,091 | 185,091 |
| 2020 | 147,000 | 1.875 – 4.475% | 37,083 | 184,083 |
| 2021 | 152,000 | 1.875 – 4.475% | 29,962 | 181,962 |
| 2022 | 159,000 | 1.875 – 4.475% | 25,132 | 184,132 |
| 2023-2026 | 690,000 | 1.875 – 4.475% | 48,230 | 738,230 |
| | <u>\$ 1,428,000</u> | | <u>\$ 231,336</u> | <u>\$ 1,659,336</u> |

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2017

6. Long-Term Obligations (Continued)

C. 2011 General Obligation Note - Series A and B

On January 25, 2014, the Township issued General Obligation Notes in the amount of \$745,000 (Series A) and \$745,000 (Series B) through the Delaware Valley Regional Finance Authority. The Township executed a fixed rate swap agreement (see Note 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.

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

| <u>Year</u> | <u>Principal</u> | <u>12/31/17 Interest Rate</u> | <u>Interest</u> | <u>Total Debt Service</u> |
|-----------------|-------------------|-----------------------------------|-------------------|-------------------------------|
| Series A | | | | |
| 2018 | \$ 1,000 | 2.008% | \$ 14,829 | \$ 15,829 |
| 2019 | 1,000 | 2.008% | 14,809 | 15,809 |
| 2020 | 1,000 | 2.008% | 14,789 | 15,789 |
| 2021 | 1,000 | 2.008% | 14,769 | 15,769 |
| 2022 | 1,000 | 2.008% | 14,749 | 15,749 |
| 2023-2027 | 407,000 | 2.008% | 57,539 | 464,539 |
| 2028-2030 | <u>327,000</u> | 2.008% | <u>9,929</u> | <u>336,929</u> |
| | <u>\$ 739,000</u> | | <u>\$ 141,413</u> | <u>\$ 880,413</u> |
| Series B | | | | |
| 2018 | \$ 0 | 3.10% | \$ 23,095 | \$ 23,095 |
| 2019 | 0 | 3.00% | 22,723 | 22,723 |
| 2020 | 0 | 3.00% | 22,350 | 22,350 |
| 2021 | 0 | 3.00% | 22,350 | 22,350 |
| 2022 | 0 | 3.00% | 22,350 | 22,350 |
| 2023-2027 | 408,000 | 3.00% | 87,420 | 495,420 |
| 2028-2030 | <u>337,000</u> | 3.00% | <u>15,375</u> | <u>352,375</u> |
| | <u>\$ 745,000</u> | | <u>\$ 215,663</u> | <u>\$ 960,663</u> |

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2017

6. Long-Term Obligations (Continued)

D. 2014 General Obligation Note

On April 25, 2014, the Township issued a General Obligation Note in the amount of \$1,530,000 through the Delaware Valley Regional Finance Authority. The Township executed a fixed rate swap agreement (see Note 14), which fixed its interest rate for the note proceeds at 2.3175%. The fixed rate terminates effective August 25, 2021, and unless the Township requests a new fixed rate, the note will bear interest at the variable rate. The future debt service requirements below are calculated on the assumption that the variable rate will increase to 3% within five years of the conversion date. Principal payments are due on January 25 of each year as shown below. This note was issued for the purpose of removing and rebuilding the Walnut Street Bridge, and was issued as non-electoral debt. The Township has pledged its full faith and taxing power, and is required to include in its budget for each year the amount of debt service on the note, which will be payable in such fiscal year.

The debt service requirements for the 2014 General Obligation Note are shown below.

| <u>Year</u> | <u>Principal</u> | <u>12/31/17 Interest Rate</u> | <u>Interest</u> | <u>Total Debt Service</u> |
|-------------|---------------------|-----------------------------------|-------------------|-------------------------------|
| 2018 | \$ 63,000 | 2.3175% | \$ 31,703 | \$ 94,703 |
| 2019 | 65,000 | 2.3175% | 30,213 | 95,213 |
| 2020 | 67,000 | 2.3175% | 28,675 | 95,675 |
| 2021 | 70,000 | 3.0% | 32,286 | 102,386 |
| 2022 | 72,000 | 3.0% | 32,910 | 104,910 |
| 2023-2027 | 397,000 | 3.0% | 130,000 | 527,000 |
| 2028-2032 | 466,000 | 3.0% | 65,080 | 531,080 |
| 2033-2037 | 210,000 | 3.0% | 5,940 | 215,940 |
| | <u>\$ 1,410,000</u> | | <u>\$ 356,807</u> | <u>\$ 1,766,907</u> |

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2017

6. Long-Term Obligations (Continued)

E. Pennsylvania Infrastructure Note

On November 20, 2012, the Township issued a General Obligation Note in the amount of \$850,000 with the Commonwealth of Pennsylvania Department of Transportation. The interest rate on this note was 1.625% per annum. Principal and interest payments were due semi-annually through December 2017. This note was issued for the purpose of repairing a structurally deficient bridge and repairing roads in the Township. This note was secured through Liquid Fuels funding and any future grants from the Commonwealth. The Township pledged its full faith and taxing power, and was 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. This note was paid off in 2017.

F. County Promissory Note

In November 2015, the Township signed an interest free promissory note with Montgomery County for \$553,119 to fund the county mandated purchase of new radio equipment for the Township and its two fire companies. The fire companies' portion of the cost of the radios was \$344,381, and was recorded as a contribution. Beginning January 2016, the note is payable in five annual principal payments of \$110,526. The debt service requirements are as follows:

| <u>Year</u> | <u>Principal</u> |
|-------------|-------------------|
| 2018 | \$ 110,526 |
| 2019 | 110,526 |
| 2020 | 110,916 |
| | <u>\$ 331,968</u> |

G. Interest Expense

Interest expense during the year on all the above-noted long-term debt totaled \$146,238.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2017

7. Capital Lease Obligations

The Township has a lease agreement for the acquisition of a truck and LED street lighting. The truck lease runs 2019 and the LED street lighting lease through 2026. The capitalized cost of the leased equipment is \$260,263 and accumulated depreciation is \$48,318 at December 31, 2017. At December 31, 2017, future lease payments are due as follows:

| <u>Year</u> | <u>Amount</u> |
|-----------------------|--------------------------|
| 2018 | \$ 45,480 |
| 2019 | 45,480 |
| 2020 | 13,892 |
| 2021 | 13,892 |
| 2022 | 13,892 |
| 2023-2026 | <u>55,336</u> |
| | 187,972 |
| Less Interest Portion | <u>(17,879)</u> |
| | <u><u>\$ 170,093</u></u> |

8. Fund Balance Classifications

| | <u>General Fund</u> | <u>Capital Reserve Fund</u> | <u>Recycling Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Total</u> |
|------------------------|----------------------------|---------------------------------|----------------------------|--|----------------------------|
| Restricted for: | | | | | |
| Capital Acquisition or | | | | | |
| Construction | \$ 0 | \$ 0 | \$ 0 | \$ 331,132 | \$ 331,132 |
| Highway Improvements | 0 | 0 | 0 | 142,795 | 142,795 |
| Fire Protection | 0 | 0 | 0 | 3,390 | 3,390 |
| Debt Service | <u>0</u> | <u>0</u> | <u>0</u> | <u>577,197</u> | <u>577,197</u> |
| | <u>0</u> | <u>0</u> | <u>0</u> | <u>1,054,514</u> | <u>1,054,514</u> |
| Assigned for: | | | | | |
| Capital Acquisition or | | | | | |
| Construction | 0 | 263,821 | 0 | 625,176 | 888,997 |
| Fire Protection | 0 | 0 | 0 | 5,015 | 5,015 |
| Parks and Recreation | 0 | 0 | 0 | 48,568 | 48,568 |
| Community Pool | | | | | |
| Improvements | 0 | 0 | 0 | 988 | 988 |
| Community Recycling | 0 | 0 | 1,631,710 | 0 | 1,631,710 |
| Debt Service | <u>0</u> | <u>0</u> | <u>0</u> | <u>138,576</u> | <u>138,576</u> |
| | <u>0</u> | <u>263,821</u> | <u>1,631,710</u> | <u>818,323</u> | <u>2,713,854</u> |
| Unassigned | <u>4,076,424</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>4,076,424</u> |
| Total Fund Balances | <u><u>\$ 4,076,424</u></u> | <u><u>\$ 263,821</u></u> | <u><u>\$ 1,631,710</u></u> | <u><u>\$ 1,872,837</u></u> | <u><u>\$ 7,844,792</u></u> |

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2017

9. Interfund Transactions

Interfund transactions are as follows:

| Purpose | Receivable Fund | Payable Fund | Amount |
|--------------------------------|---------------------------|-------------------|-----------|
| Due To/From | | | |
| Tax Revenues to be Distributed | Debt Service | General | \$10,962 |
| Operating Costs Advance | General | Pool | \$3,171 |
| Operating Costs Advance | General | Park & Recreation | \$607 |
| Operating Costs Advance | General | Escrow | \$90,879 |
| Transfers | | | |
| Capital Purchases | Recycling | General | \$25,000 |
| Capital Purchases | Equipment Reserve | Fire | \$285,200 |
| Capital Purchases | Park & Recreation Reserve | Park & Recreation | \$32,500 |
| Capital Purchases | Pool | Pool Reserve | \$57,000 |
| Capital Purchases | Park & Recreation Reserve | Recycling | \$98,545 |
| Capital Purchases | Pool Reserve | Pool | \$29,058 |
| Capital Purchases | Capital Reserve | General | \$120,000 |
| Debt Service | Debt Service | Equipment Reserve | \$68,786 |
| Debt Service | Pool | Debt Service | \$189,938 |

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, 2017**

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 Univest Bank and Trust Co.

B. Plan Descriptions

Plan Administration

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

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

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2017**

11. Defined Benefit Pension Plans (Continued)

B. Plan Descriptions (Continued)

Plan Membership

At December 31, 2017, plan membership consisted of the following:

| | <u>Police</u> | <u>Non-Uniform</u> |
|--|---------------|--------------------|
| Active Employees | 25 | 15 |
| Retirees and Beneficiaries Currently Receiving Benefits | 22 | 13 |
| Terminated Employees Entitled to Benefits but Not Yet Receiving Them | <u>1</u> | <u>7</u> |
| Total | <u>48</u> | <u>35</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, 2017**

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, 2017

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 2017, 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.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2017**

11. Defined Benefit Pension Plans (Continued)

C. Investments

Investment Policy

It is the policy of both of the Pension Committees to pursue an investment strategy that will produce a return on investment which is based on levels of investment risk that are prudent and reasonable given prevailing capital market conditions. While the committees recognize the importance of the preservation of capital, they also recognize modern portfolio theory, which maintains that varying degrees of investment risk will be rewarded with compensating returns. Consequently, prudent risk-taking is warranted and justifiable. Performance objectives include achieving a rate of return equal to or greater than the Plans' actual interest rate, achieving a real return above inflation, and maintaining a risk level within the tolerance level of the plans fiduciaries. The Committees' adopted asset allocation policy as of December 31, 2017, 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, 2017, the annual money-weighted rate of return on Police Plan and NU Plan investments, net of pension plan investment expense, was 16.25%, and 16.11%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amounts actually invested.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2017**

11. Defined Benefit Pension Plans (Continued)

D. Deferred Retirement Option Program (DROP)

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

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

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

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

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

As of December 31, 2017, there was one participant in the DROP program, and the balance held by the Plan for the DROP program was \$87,887.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2017**

11. Defined Benefit Pension Plans (Continued)

E. Net Pension Liability of the Township

The components of the net pension liabilities of the Township at December 31, 2017, were as follows:

| | <u>Police</u> | <u>Non-Uniform</u> |
|---|---------------------|---------------------|
| Total Pension Liability | \$ 19,667,013 | \$ 3,706,694 |
| Plan Fiduciary Net Position | <u>(17,914,373)</u> | <u>(3,888,385)</u> |
| Township's Net Pension Liability (Asset) | <u>\$ 1,752,640</u> | <u>\$ (181,691)</u> |
| Plan Fiduciary Net Position As a Percentage of the Total Pension Liability | 91.09% | 104.90% |

Actuarial Assumptions

The total pension liability for both plans was determined by an actuarial valuation as of December 31, 2017, 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, 2017, valuation were based on the results of an actuarial experience study for the two year period ended January 1, 2015.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2017

11. Defined Benefit Pension Plans (Continued)

E. Net Pension Liability of the Township (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of December 31, 2017 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, 2017

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, 2017, are as follows:

| | Police Pension Increase (Decrease) | | |
|---|---------------------------------------|---------------------------------------|---------------------------------------|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) – (b) |
| Balance at December 31, 2016 | \$18,820,568 | \$ 15,430,526 | \$ 3,390,042 |
| Changes for the Year | | | |
| Service Cost | 412,265 | 0 | 412,265 |
| Interest | 1,483,486 | 0 | 1,483,486 |
| Difference Between Expected and Actual Experience | (238,247) | 0 | (238,247) |
| Changes in Assumptions | 0 | 0 | 0 |
| Contributions – Employer | 0 | 688,248 | (688,248) |
| Contributions - Employee | 0 | 140,027 | (140,027) |
| Net Investment Income | 0 | 2,474,531 | (2,474,531) |
| Benefit Payments | (811,059) | (811,059) | 0 |
| Administrative Expense | 0 | (7,900) | 7,900 |
| Other Changes | 0 | 0 | 0 |
| Net Changes | 846,445 | 2,483,847 | (1,637,402) |
| Balances At December 31, 2017 | \$ 19,667,013 | \$17,914,373 | \$ 1,752,640 |

| | Non-Uniform Pension Increase (Decrease) | | |
|---|--|---------------------------------------|--|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (Asset) (a) – (b) |
| Balance at December 31, 2016 | \$ 3,502,398 | \$ 3,347,127 | \$ 155,271 |
| Changes for the Year | | | |
| Service Cost | 146,705 | 0 | 146,705 |
| Interest | 280,035 | 0 | 280,035 |
| Difference Between Expected and Actual Experience | (74,883) | 0 | (74,883) |
| Contributions – Employer | 0 | 139,820 | (139,820) |
| Contributions - Employee | 0 | 17,067 | (17,067) |
| Net Investment Income | 0 | 544,557 | (544,557) |
| Benefit Payments | (147,561) | (147,561) | 0 |
| Administrative Expense | 0 | (12,625) | 12,625 |
| Net Changes | 204,296 | 541,258 | (336,962) |
| Balances At December 31, 2017 | \$ 3,706,694 | \$ 3,888,385 | \$, (181,691) |

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2017

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 | \$4,048,159 | \$1,752,640 | \$(184,009) |
| Net Non-Uniform Pension Liability | \$259,949 | \$(181,691) | \$(557,806) |

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

For the year ended December 31, 2017, the Township recognized pension expense of \$455,178 in the Police Plan. At December 31, 2017, 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 | \$ 0 | \$ (271,535) |
| Changes of Assumptions | 0 | (84,514) |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | 633,629 | (991,773) |
| | <u>\$ 633,629</u> | <u>\$(1,347,822)</u> |

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

| Year Ending December 31, | Amount |
|-----------------------------|---------------------|
| 2018 | \$ (73,631) |
| 2019 | (73,631) |
| 2020 | (239,572) |
| 2021 | (287,652) |
| 2022 | (39,707) |
| | <u>\$ (714,193)</u> |

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2017

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, 2017, the Township recognized pension expense of \$113,875 in the Non-Uniform Plan. At December 31, 2017, 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 | \$ 0 | \$ (198,327) |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | <u>130,836</u> | <u>(221,535)</u> |
| | <u>\$ 130,836</u> | <u>\$ (419,862)</u> |

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

| Year Ending December 31, | Amount |
|-----------------------------|---------------------|
| 2018 | \$ (40,785) |
| 2019 | (40,783) |
| 2020 | (93,137) |
| 2021 | (101,843) |
| 2022 | <u>(12,478)</u> |
| | <u>\$ (289,026)</u> |

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2017

12. Money Purchase Pension Plan

The Township offers a pension plan to its full time, non-uniformed employees hired after December 31, 2012. Under this plan, participants are required to contribute 1.5% of their compensation each year. The Township is required to contribute from 3% to 8% of the participant's compensation, depending on their years of service. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The amount contributed by the Township for the year ended December 31, 2017, was \$27,159.

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

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, 2017. 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 is three retirees receiving benefits and no uniformed employees have received contributions in their medical reimbursement account for 2017.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2017

13. Post-Employment Benefits (Continued)

A. Police (Continued)

Post-Retirement Health Benefits

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

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

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

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

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

| <u>Fiscal Year</u> | <u>Annual OPEB Cost</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|--------------------|-----------------------------|---|--------------------------------|
| 12/31/2015 | \$47,124 | 22% | \$76,357 |
| 12/31/2016 | \$46,523 | 33% | \$107,718 |
| 12/31/2017 | \$90,517 | 26% | \$174,339 |

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2017

13. Post-Employment Benefits (Continued)

A. Police (Continued)

Post-Retirement Health Benefits (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

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

| | |
|--|--------------------------|
| Normal cost (service cost for one year) | \$ 92,283 |
| Interest on Normal Cost | 4,847 |
| Amortization of Unfunded Actuarial Accrued Liability | <u>(6,613)</u> |
| Annual Required Contribution (ARC) | 90,517 |
| Interest on net OPEB Obligation | 0 |
| Adjustment to Annual Required Contribution | <u>0</u> |
| Annual OPEB Cost (expense) | 90,517 |
| Contributions toward the OPEB Cost | <u>(23,896)</u> |
| Increase in Net OPEB Obligation | 66,621 |
| Net OPEB Obligation, Beginning of Year | <u>107,718</u> |
| Net OPEB Obligation, End of Year | <u><u>\$ 174,339</u></u> |

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

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2017**

13. Post-Employment Benefits (Continued)

A. Police (Continued)

Post-Retirement Health Benefits (Continued)

Actuarial Methods and Assumptions (Continued)

The Township's OPEB actuarial valuation as of January 1, 2017, used the entry age normal actuarial cost method to estimate both the unfunded liability as of December 31, 2017, and to estimate the Township's annual required contribution. This method was selected because it produced the best estimate of the OPEB liability and annual cost. Because the OPEB liability is currently unfunded, the actuarial assumptions include a 4.5 percent rate of return on invested assets. The actuarial assumptions include a payroll growth annually at 5%. The actuarial assumptions also include an annual health care cost trend rate of 6.0% initially for the 2017 year, then 5.5% in 2018 through 2023. The unfunded actuarial liability is being amortized over 30 years as a level percent of pay based on the inflation portion of the salary scale only.

B. Non-Uniform

Effective January 1, 2007, the Township adopted a retirement health savings plan for non-uniformed employees. In 2017, the Township contributed 1.5% of the salary of full-time, non-uniformed employees, or \$24,910. Employees are not required to contribute to the plan.

Under the terms of the plan, eligible retirees shall be entitled to receive reimbursement for eligible medical expenses up to the amount maintained in their medical reimbursement account maintained for the respective retiree. Eligible medical expenses are any medical expenses that would be eligible for deduction on an individual income tax return, without regard to any limitations imposed based on the adjusted gross income of an eligible retiree.

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

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2017**

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>\$ 369,000</u> | 1.7315% |
| Series B | | |
| 2003, Note a | \$ 375,000 | 4.000% |
| 2003, Note b | <u>358,000</u> | 1.600% |
| Total | <u>\$ 733,000</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 bank as of December 31, 2017, was \$15,851 and is recorded in the governmental funds in the statement of net position.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2017

14. Derivative Instruments and Hedging Activities (Continued)

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.

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 | \$ 484,000 | 3.950% |
| 2006, Note b | 460,000 | 1.875% |
| 2006, Note c | <u>484,000</u> | 4.475% |
| Total | <u>\$ 1,428,000</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 bank as of December 31, 2017, was \$13,799 and is recorded as a business-type activity in the statement of net position.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2017

14. Derivative Instruments and Hedging Activities (Continued)

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 | \$ 739,000 | 2.008% |
| 2011, Series B | <u>745,000</u> | 3.10% |
| Total | <u><u>\$ 1,484,000</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. For Series A, the market value of the interest rate swap in favor of the Township as of December 31, 2017, was \$14,681 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 bank as of December 31, 2017, was \$14,277 and is recorded in the governmental funds in the statement of net position.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2017

14. Derivative Instruments and Hedging Activities (Continued)

D. 2014 General Obligation Note

As described in Note 6, Item D, the Township entered into another fixed rate swap agreement. The agreement applies to the total amount of the notes outstanding. The purpose of this agreement is to hedge the risk of change in the interest rates and to assist the Township in stabilizing the cash flow requirements needed. This interest rate swap agreement began in 2014 and ends on the date concurrent with the final payment of the loan.

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

| <u>Note</u> | <u>Principal</u> | <u>Interest Rate</u> |
|----------------|---------------------|--------------------------|
| 2014, Note A-1 | \$ 195,000 | 2.3175% |
| 2014, Note A-2 | 626,000 | 2.3175% |
| 2014, Note A-3 | 379,000 | 2.3175% |
| 2014, Note A-4 | 210,000 | 2.3175% |
| Total | <u>\$ 1,410,000</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 as of December 31, 2017, was \$0 and is recorded in the governmental funds in the statement of net position.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2017

14. Derivative Instruments and Hedging Activities (Continued)

E. Derivative Instrument Activity

| | Governmental Funds | | | | Business-Type Activity | | |
|--|--------------------|----------------------|------------|-------------|------------------------|----------------------|----------|
| | 2003 GON | 2011 GON Series B | 2014 GON | Total | 2006 GON | 2011 GON Series A | Total |
| Fair Value of Derivative Instrument on December 31, 2016 | \$ (23,648) | \$ (27,119) | \$ (5,489) | \$ (56,256) | \$ (21,806) | \$ 27,322 | \$ 5,516 |
| Change in Fair Value | 7,797 | 12,842 | 5,489 | 26,128 | 8,007 | (12,641) | (4,634) |
| Fair Value of Derivative Instrument on December 31, 2017 | \$ (15,851) | \$ (14,277) | \$ 0 | \$ (30,128) | \$ (13,799) | \$ 14,681 | \$ 882 |

F. Risks

Credit Risk

At December 31, 2017, has exposure to credit risk in the amount of the derivative's negative 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, 2017

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 Insurance Trust (DVIT). DVIT is a regional risk sharing pool that provides commercial, liability and bonding coverage for the Township.

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

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. Commitment

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 was made for the year ended December 31, 2017, as the project is not yet in the building phase.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2017**

18. Subsequent Events

In January 2018, the Township purchased property for \$104,500 to be used as a park.

In March 2018, the Township purchased two properties on Orvilla Road for \$246,000 and \$295,000.

Management has evaluated subsequent events through July 17, 2018, the date which 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, 2017
(Unaudited)

| | 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) | 0 | (182,493) | 0 |
| Changes of Assumptions | 0 | 0 | (211,282) | 0 |
| Benefit Payments (Including Refunds of Member Contributions) | (811,059) | (719,463) | (521,103) | (706,184) |
| Net Change in Total Pension Liability | <u>846,445</u> | <u>1,109,456</u> | <u>774,177</u> | <u>967,299</u> |
| 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>\$ 19,667,013</u> | <u>\$ 18,820,568</u> | <u>\$ 17,711,112</u> | <u>\$ 16,936,935</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 | 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 | <u>2,483,847</u> | <u>1,037,910</u> | <u>369,321</u> | <u>1,086,404</u> |
| 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>\$ 17,914,373</u> | <u>\$ 15,430,526</u> | <u>\$ 14,392,616</u> | <u>\$ 14,023,295</u> |
| 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% |

Change in benefit terms: None since January 1, 2015

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, 2017
(Unaudited)

| | 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) | 0 | (237,871) | 0 |
| Changes of Assumptions | 0 | 0 | 0 | 0 |
| Benefit Payments (Including Refunds of Member Contributions) | (147,561) | (114,776) | (106,264) | (106,056) |
| Net Change in Total Pension Liability | <u>204,296</u> | <u>309,606</u> | <u>49,346</u> | <u>308,912</u> |
| Total Pension Liability | | | | |
| Beginning of Year | <u>3,502,398</u> | <u>3,192,792</u> | <u>3,143,446</u> | <u>2,834,534</u> |
| End of Year | <u><u>\$ 3,706,694</u></u> | <u><u>\$ 3,502,398</u></u> | <u><u>\$ 3,192,792</u></u> | <u><u>\$ 3,143,446</u></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 | 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 | <u>541,258</u> | <u>251,443</u> | <u>64,663</u> | <u>266,457</u> |
| Plan Fiduciary Net Position | | | | |
| Beginning of Year | <u>3,347,127</u> | <u>3,095,684</u> | <u>3,031,021</u> | <u>2,764,564</u> |
| End of Year | <u><u>\$ 3,888,385</u></u> | <u><u>\$ 3,347,127</u></u> | <u><u>\$ 3,095,684</u></u> | <u><u>\$ 3,031,021</u></u> |
| Township's Ending Net Pension Liability | <u><u>\$ (181,691)</u></u> | <u><u>\$ 155,271</u></u> | <u><u>\$ 97,108</u></u> | <u><u>\$ 112,425</u></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><u>\$ 1,055,400</u></u> | <u><u>\$ 1,197,116</u></u> | <u><u>\$ 1,207,105</u></u> | <u><u>\$ 1,177,324</u></u> |
| Township's Net Pension Liability As a Percentage of Covered Employee Payroll | (17.2)% | 13.0% | 8.0% | 9.5% |

Change in benefit terms: None since January 1, 2015

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, 2017
(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 % of Payroll</u> |
|-------------|--|--|--|---|--|
| 2008 | \$322,840 | \$322,840 | \$0 | | |
| 2009 | \$334,873 | \$334,873 | \$0 | | |
| 2010 | \$351,857 | \$351,857 | \$0 | | |
| 2011 | \$466,638 | \$466,638 | \$0 | | |
| 2012 | \$447,277 | \$447,277 | \$0 | | |
| 2013 | \$750,479 | \$750,479 | \$0 | | |
| 2014 | \$751,765 | \$751,765 | \$0 | \$2,573,944 | 29.21% |
| 2015 | \$848,887 | \$848,887 | \$0 | \$2,788,396 | 30.44% |
| 2016 | \$716,459 | \$716,459 | \$0 | \$2,691,509 | 26.62% |
| 2017 | \$688,248 | \$688,248 | \$0 | \$2,733,106 | 25.18% |

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.

January 1, 2015

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method

Entry Age Normal

Amortization Method

Level Dollar Closed

Remaining Amortization Period

9 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, 2017
(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 % of Payroll</u> |
|-------------|--|--|--|---|--|
| 2008 | \$116,668 | \$116,668 | \$0 | | |
| 2009 | \$105,082 | \$105,082 | \$0 | | |
| 2010 | \$136,245 | \$136,245 | \$0 | | |
| 2011 | \$155,870 | \$155,870 | \$0 | | |
| 2012 | \$166,737 | \$166,737 | \$0 | | |
| 2013 | \$192,600 | \$192,600 | \$0 | | |
| 2014 | \$159,538 | \$159,538 | \$0 | \$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 | \$0 | \$1,055,400 | 13.25% |

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.

January 1, 2015

Methods and Assumptions Used to Determine Contribution Rates:

| | |
|-------------------------------|------------------------|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Dollar Closed |
| Remaining Amortization Period | N/A |
| 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, 2017
(Unaudited)

| | <u>Police</u> | <u>Non-Uniform</u> |
|---|----------------------|---------------------------|
| Annual Money-Weighted Rate of Return, Net of Investment Expense | | |
| 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
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
General Fund
Year Ended December 31, 2017

| | <u>Original Budget</u> | <u>Actual</u> | Variance Favorable (Unfavorable) |
|---|------------------------|---------------------|--|
| Revenues | | | |
| Taxes | \$ 7,192,500 | \$ 8,100,679 | \$ 908,179 |
| Intergovernmental | 464,350 | 484,199 | 19,849 |
| Charges for Services | 1,353,030 | 1,485,763 | 132,733 |
| Fines, Licenses and Permits | 502,220 | 501,547 | (673) |
| Interest Income and Rents | 39,500 | 40,131 | 631 |
| Miscellaneous Revenues | 214,400 | 178,213 | (36,187) |
| Total Revenues | <u>9,766,000</u> | <u>10,790,532</u> | <u>1,024,532</u> |
| Expenditures | | | |
| General Government | 1,115,085 | 1,041,125 | 73,960 |
| Public Safety | 4,106,179 | 4,018,716 | 87,463 |
| Public Works | 1,400,871 | 1,226,103 | 174,768 |
| Debt Service - Principal | 0 | 3,532 | (3,532) |
| Debt Service - Interest | 0 | 2,592 | (2,592) |
| Capital Expenditures | 231,972 | 284,020 | (52,048) |
| Insurance and Employee Benefits | 2,789,475 | 2,806,006 | (16,531) |
| Miscellaneous Governmental | 30,000 | 15,674 | 14,326 |
| Total Expenditures | <u>9,673,582</u> | <u>9,397,768</u> | <u>275,814</u> |
| Excess (Deficiency) of Revenues Over Over Expenditures | 92,418 | 1,392,764 | 1,300,346 |
| Other Financing Sources (Uses) | | | |
| Operating Transfers In (Out) | <u>(245,000)</u> | <u>(145,000)</u> | <u>100,000</u> |
| Net Change in Fund Balances | (152,582) | 1,247,764 | 1,400,346 |
| Fund Balances | | | |
| Beginning of Year | <u>0</u> | <u>2,828,660</u> | <u>2,828,660</u> |
| End of Year | <u>\$ (152,582)</u> | <u>\$ 4,076,424</u> | <u>\$ 4,229,006</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, 2017

1. Basis of Presentation

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

The Township did not amend its 2017 budget as originally adopted and, therefore, is presenting its original and final budget in one column for each fund presented.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
Capital Reserve Fund
Year Ended December 31, 2017

| | <u>Original Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|--|------------------------|-------------------|---|
| Revenues | | | |
| Intergovernmental | \$ 120,000 | \$ 6,044 | \$ (113,956) |
| Miscellaneous Revenues | 51,100 | 5,001 | (46,099) |
| Total Revenues | <u>171,100</u> | <u>11,045</u> | <u>(160,055)</u> |
| Expenditures | | | |
| Public Safety | 0 | 3,618 | (3,618) |
| Capital Expenditures | 1,444,852 | 1,199,858 | 244,994 |
| Total Expenditures | <u>1,444,852</u> | <u>1,203,476</u> | <u>241,376</u> |
| Excess (Deficiency) of Revenues Over Expenditures | (1,273,752) | (1,192,431) | 81,321 |
| Other Financing Sources (Uses) | | | |
| Operating Transfers In (Out) | <u>0</u> | <u>120,000</u> | <u>120,000</u> |
| Net Change in Fund Balances | (1,273,752) | (1,072,431) | 201,321 |
| Fund Balances | | | |
| Beginning of Year | <u>1,309,397</u> | <u>1,336,252</u> | <u>26,855</u> |
| End of Year | <u>\$ 35,645</u> | <u>\$ 263,821</u> | <u>\$ 228,176</u> |

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
Recycling Fund
Year Ended December 31, 2017

| | <u>Original Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|--|----------------------------|----------------------------|---|
| Revenues | | | |
| Intergovernmental | \$ 35,000 | \$ 0 | \$ (35,000) |
| Interest Income and Rents | 500 | 0 | (500) |
| Miscellaneous Revenues | 619,127 | 859,248 | 240,121 |
| Total Revenues | <u>654,627</u> | <u>859,248</u> | <u>204,621</u> |
| Expenditures | | | |
| Public Works | 46,000 | 32,534 | 13,466 |
| Parks and Recreation | 5,500 | 1,905 | 3,595 |
| Capital Expenditures | 39,000 | 41,590 | (2,590) |
| Total Expenditures | <u>90,500</u> | <u>76,029</u> | <u>14,471</u> |
| Excess (Deficiency) of Revenues Over Expenditures | 564,127 | 783,219 | 219,092 |
| Other Financing Sources (Uses) | | | |
| Operating Transfers In (Out) | <u>(36,000)</u> | <u>(73,545)</u> | <u>(37,545)</u> |
| Net Change in Fund Balances | 528,127 | 709,674 | 181,547 |
| Fund Balances | | | |
| Beginning of Year | <u>915,705</u> | <u>922,036</u> | <u>6,331</u> |
| End of Year | <u><u>\$ 1,443,832</u></u> | <u><u>\$ 1,631,710</u></u> | <u><u>\$ 187,878</u></u> |

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
Pool Fund
Year Ended December 31, 2017

| | <u>Original Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|---|------------------------|---------------------|---|
| Operating Revenues | | | |
| Charges for Services | \$ 720,000 | \$ 625,703 | \$ (94,297) |
| Miscellaneous | 3,000 | 2,828 | (172) |
| Total Operating Revenues | <u>723,000</u> | <u>628,531</u> | <u>(94,469)</u> |
| Operating Expenses | | | |
| Salaries and Benefits | 445,200 | 418,443 | 26,757 |
| Depreciation | 0 | 190,868 | (190,868) |
| Snack Bar | 72,750 | 55,533 | 17,217 |
| Utilities | 52,000 | 53,394 | (1,394) |
| Repairs and Maintenance | 41,400 | 42,822 | (1,422) |
| Pool Supplies | 32,200 | 24,746 | 7,454 |
| Office Supplies and Expenses | 12,400 | 22,675 | (10,275) |
| Uniforms | 10,000 | 10,838 | (838) |
| Other Expenses | 27,100 | 9,513 | 17,587 |
| Total Operating Expenses | <u>693,050</u> | <u>828,832</u> | <u>(135,782)</u> |
| Operating Income (Loss) Before Nonoperating Revenues | <u>29,950</u> | <u>(200,301)</u> | <u>(230,251)</u> |
| Nonoperating Revenues (Expenses) | | | |
| Interest Expense | 0 | (53,879) | (53,879) |
| Loss on Disposal of Capital Assets | 0 | (917) | (917) |
| Transfers (to) from Other Funds | (75,000) | 161,996 | 236,996 |
| Total Nonoperating Revenue (Expenses) | <u>(75,000)</u> | <u>107,200</u> | <u>182,200</u> |
| Change in Net Position | (45,050) | (93,101) | (48,051) |
| Fund Balances | | | |
| Beginning of Year | <u>98,736</u> | <u>3,056,660</u> | <u>2,957,924</u> |
| End of Year | <u>\$ 53,686</u> | <u>\$ 2,963,559</u> | <u>\$ 2,909,873</u> |

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2017

| | <u>Fire Fund</u> | <u>Park and Recreation Fund</u> | <u>State Highway Aid Fund</u> |
|--|-------------------------|-------------------------------------|-----------------------------------|
| Assets | | | |
| Cash and Cash Equivalents | \$ 511 | \$ 51,302 | \$ 142,795 |
| Taxes Receivable | 14,471 | 5,135 | 0 |
| Other Receivables | 0 | 0 | 0 |
| Due from (to) Other Funds | <u>0</u> | <u>(607)</u> | <u>0</u> |
| Total Assets | <u><u>\$ 14,982</u></u> | <u><u>\$ 55,830</u></u> | <u><u>\$ 142,795</u></u> |
| Liabilities and Fund Balances | | | |
| Liabilities | | | |
| Accounts Payable and Accrued Expenses | \$ 0 | \$ 3,065 | \$ 0 |
| Accrued Wages and Payroll Taxes | <u>0</u> | <u>1,863</u> | <u>0</u> |
| Total Liabilities | <u>0</u> | <u>4,928</u> | <u>0</u> |
| Deferred Inflows of Resources | | | |
| Deferred Tax Receipts | <u>6,577</u> | <u>2,334</u> | <u>0</u> |
| Fund Balances | | | |
| Restricted | 3,390 | 0 | 142,795 |
| Assigned | <u>5,015</u> | <u>48,568</u> | <u>0</u> |
| Total Fund Balances | <u>8,405</u> | <u>48,568</u> | <u>142,795</u> |
| Total Liabilities and Fund Balances | <u><u>\$ 14,982</u></u> | <u><u>\$ 55,830</u></u> | <u><u>\$ 142,795</u></u> |

| Impact Fees Fund | Pool and Open Space Fund | Park and Recreation Reserve Fund | Equipment Reserve Fund | Debt Service Fund | Total Nonmajor Governmental Funds |
|---------------------|-----------------------------|--|---------------------------|----------------------|---|
| \$ 407,795 | \$ 6,080 | \$ 62,066 | \$ 520,859 | \$ 695,869 | \$ 1,887,277 |
| 0 | 0 | 0 | 0 | 15,638 | 35,244 |
| 0 | 0 | 0 | 0 | 1,956 | 1,956 |
| 0 | 0 | 0 | 0 | 10,962 | 10,355 |
| <u>\$ 407,795</u> | <u>\$ 6,080</u> | <u>\$ 62,066</u> | <u>\$ 520,859</u> | <u>\$ 724,425</u> | <u>\$ 1,934,832</u> |
| \$ 11,515 | \$ 5,092 | \$ 22,897 | \$ 0 | \$ 1,381 | \$ 43,950 |
| 0 | 0 | 0 | 0 | 0 | 1,863 |
| <u>11,515</u> | <u>5,092</u> | <u>22,897</u> | <u>0</u> | <u>1,381</u> | <u>45,813</u> |
| 0 | 0 | 0 | 0 | 7,271 | 16,182 |
| 331,132 | 0 | 0 | 0 | 577,197 | 1,054,514 |
| 65,148 | 988 | 39,169 | 520,859 | 138,576 | 818,323 |
| <u>396,280</u> | <u>988</u> | <u>39,169</u> | <u>520,859</u> | <u>715,773</u> | <u>1,872,837</u> |
| <u>\$ 407,795</u> | <u>\$ 6,080</u> | <u>\$ 62,066</u> | <u>\$ 520,859</u> | <u>\$ 724,425</u> | <u>\$ 1,934,832</u> |

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended December 31, 2017

| | <u>Fire Fund</u> | <u>Park and Recreation Fund</u> | <u>State Highway Aid Fund</u> |
|--|------------------------|-------------------------------------|-----------------------------------|
| Revenues | | | |
| Taxes | \$ 603,590 | \$ 213,665 | \$ 0 |
| Intergovernmental | 0 | 0 | 508,891 |
| Charges for Services | 0 | 130,677 | 0 |
| Interest Income and Rents | 0 | 15,210 | 495 |
| Miscellaneous Revenues | 0 | 18,630 | 6,786 |
| Total Revenues | <u>603,590</u> | <u>378,182</u> | <u>516,172</u> |
| Expenditures | | | |
| General Government | 0 | 0 | 0 |
| Public Safety | 315,000 | 0 | 0 |
| Public Works | 0 | 0 | 261,037 |
| Parks and Recreation | 0 | 350,892 | 0 |
| Debt Service - Principal | 0 | 0 | 205,071 |
| Debt Service - Interest | 0 | 0 | 4,541 |
| Capital Expenditures | 0 | 0 | 36,800 |
| Total Expenditures | <u>315,000</u> | <u>350,892</u> | <u>507,449</u> |
| Excess (Deficiency) of Revenues Over Expenditures | 288,590 | 27,290 | 8,723 |
| Other Financing Sources (Uses) | | | |
| Operating Transfers In (Out) | <u>(285,200)</u> | <u>(32,500)</u> | <u>0</u> |
| Net Change in Fund Balances | 3,390 | (5,210) | 8,723 |
| Fund Balances | | | |
| Beginning of Year | <u>5,015</u> | <u>53,778</u> | <u>134,072</u> |
| End of Year | <u><u>\$ 8,405</u></u> | <u><u>\$ 48,568</u></u> | <u><u>\$ 142,795</u></u> |

| Impact Fees Fund | Pool and Open Space Fund | Park and Recreation Reserve Fund | Equipment Reserve Fund | Debt Service Fund | Total Nonmajor Governmental Funds |
|---------------------|-----------------------------|--|---------------------------|----------------------|---|
| \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 664,620 | \$ 1,481,875 |
| 0 | 0 | 0 | 0 | 0 | 508,891 |
| 0 | 0 | 0 | 0 | 0 | 130,677 |
| 0 | 0 | 0 | 0 | 0 | 15,705 |
| 220,449 | 0 | 48,785 | 0 | 27,346 | 321,996 |
| <u>220,449</u> | <u>0</u> | <u>48,785</u> | <u>0</u> | <u>691,966</u> | <u>2,459,144</u> |
| 499 | 0 | 0 | 0 | 0 | 499 |
| 0 | 0 | 0 | 63,150 | 0 | 378,150 |
| 0 | 0 | 0 | 0 | 0 | 261,037 |
| 0 | 29,993 | 5,191 | 0 | 0 | 386,076 |
| 0 | 0 | 0 | 0 | 341,526 | 546,597 |
| 0 | 0 | 0 | 0 | 85,226 | 89,767 |
| 238,630 | 0 | 301,250 | 0 | 0 | 576,680 |
| <u>239,129</u> | <u>29,993</u> | <u>306,441</u> | <u>63,150</u> | <u>426,752</u> | <u>2,238,806</u> |
| (18,680) | (29,993) | (257,656) | (63,150) | 265,214 | 220,338 |
| <u>0</u> | <u>27,942</u> | <u>131,045</u> | <u>216,414</u> | <u>(121,152)</u> | <u>(63,451)</u> |
| (18,680) | (2,051) | (126,611) | 153,264 | 144,062 | 156,887 |
| 414,960 | 3,039 | 165,780 | 367,595 | 571,711 | 1,715,950 |
| <u>\$ 396,280</u> | <u>\$ 988</u> | <u>\$ 39,169</u> | <u>\$ 520,859</u> | <u>\$ 715,773</u> | <u>\$ 1,872,837</u> |

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Combining Statement of Fiduciary Net Position
Pension Trust Funds
December 31, 2017

| | <u>Police Pension</u> | <u>Non-Uniform Pension</u> | <u>Total</u> |
|------------------------------------|-----------------------------|--------------------------------|-----------------------------|
| Assets | | | |
| Cash and Cash Equivalents | \$ 489,950 | \$ 114,447 | \$ 604,397 |
| Investments | 17,274,970 | 3,756,301 | 21,031,271 |
| Contributions Receivable | 5,166 | 607 | 5,773 |
| Accrued Interest Receivable | <u>56,401</u> | <u>17,029</u> | <u>73,430</u> |
| Total Assets | 17,826,487 | 3,888,384 | 21,714,871 |
| Liabilities | <u>0</u> | <u>0</u> | <u>0</u> |
| Net Position | | | |
| Held in Trust for Pension Benefits | <u><u>\$ 17,826,487</u></u> | <u><u>\$ 3,888,384</u></u> | <u><u>\$ 21,714,871</u></u> |

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
Year Ended December 31, 2017

| | <u>Police Pension</u> | <u>Non-Uniform Pension</u> | <u>Total</u> |
|---|-----------------------|--------------------------------|----------------------|
| Additions | | | |
| Contributions | | | |
| Plan Members | \$ 140,027 | \$ 17,067 | \$ 157,094 |
| State | 229,413 | 110,118 | 339,531 |
| Employer | 458,835 | 29,702 | 488,537 |
| Total Contributions | <u>828,275</u> | <u>156,887</u> | <u>985,162</u> |
| Investment Earnings | | | |
| Net Increase in Fair Value of Investments | 2,150,482 | 435,930 | 2,586,412 |
| Dividends | 388,316 | 121,674 | 509,990 |
| | <u>2,538,798</u> | <u>557,604</u> | <u>3,096,402</u> |
| Less Investment Expense | (68,823) | (13,067) | (81,890) |
| Total Net Investment Gain | <u>2,469,975</u> | <u>544,537</u> | <u>3,014,512</u> |
| Miscellaneous Revenue | <u>207</u> | <u>0</u> | <u>207</u> |
| Total Additions | <u>3,298,457</u> | <u>701,424</u> | <u>3,999,881</u> |
| Deductions | | | |
| Benefits | 772,929 | 148,050 | 920,979 |
| Administrative Expense | 13,372 | 12,605 | 25,977 |
| Total Deductions | <u>786,301</u> | <u>160,655</u> | <u>946,956</u> |
| Change in Net Position | 2,512,156 | 540,769 | 3,052,925 |
| Net Position, Held in Trust | | | |
| Beginning of Year | <u>15,314,331</u> | <u>3,347,615</u> | <u>18,661,946</u> |
| End of Year | <u>\$ 17,826,487</u> | <u>\$ 3,888,384</u> | <u>\$ 21,714,871</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, 2017

| | Fire Fund | | Variance |
|---------------------------------|------------------|------------------|----------------------------|
| | Original Budget | Actual | Favorable (Unfavorable) |
| Revenues | | | |
| Taxes | \$ 538,884 | \$ 603,590 | \$ 64,706 |
| Intergovernmental | 0 | 0 | 0 |
| Charges for Services | 0 | 0 | 0 |
| Interest Income and Rents | 183 | 0 | (183) |
| Miscellaneous Revenues | 0 | 0 | 0 |
| Total Revenues | <u>539,067</u> | <u>603,590</u> | <u>64,523</u> |
| Expenditures | | | |
| Public Safety | 315,000 | 315,000 | 0 |
| Public Works | 0 | 0 | 0 |
| Parks and Recreation | 0 | 0 | 0 |
| Debt Service - Principal | 0 | 0 | 0 |
| Debt Service - Interest | 0 | 0 | 0 |
| Capital Expenditures | 0 | 0 | 0 |
| Total Expenditures | <u>315,000</u> | <u>315,000</u> | <u>0</u> |
| Excess (Deficiency) of Revenues | | | |
| Over Expenditures | 224,067 | 288,590 | 64,523 |
| Other Financing Sources (Uses) | | | |
| Operating Transfers In (Out) | <u>(182,000)</u> | <u>(285,200)</u> | <u>(103,200)</u> |
| Net Change in Fund Balances | 42,067 | 3,390 | (38,677) |
| Fund Balances | | | |
| Beginning of Year | <u>0</u> | <u>5,015</u> | <u>5,015</u> |
| End of Year | <u>\$ 42,067</u> | <u>\$ 8,405</u> | <u>\$ (33,662)</u> |

| Park and Recreation Fund | | | State Highway Aid Fund | | |
|--------------------------|------------------|--|------------------------|-------------------|--|
| Original Budget | Actual | Variance Favorable (Unfavorable) | Original Budget | Actual | Variance Favorable (Unfavorable) |
| \$ 194,800 | \$ 213,665 | \$ 18,865 | \$ 0 | \$ 0 | \$ 0 |
| 0 | 0 | 0 | 484,920 | 508,891 | 23,971 |
| 99,800 | 130,677 | 30,877 | 0 | 0 | 0 |
| 20,040 | 15,210 | (4,830) | 167 | 495 | 328 |
| 30,500 | 18,630 | (11,870) | 0 | 6,786 | 6,786 |
| <u>345,140</u> | <u>378,182</u> | <u>33,042</u> | <u>485,087</u> | <u>516,172</u> | <u>31,085</u> |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 261,037 | (261,037) |
| 341,495 | 350,892 | (9,397) | 0 | 0 | 0 |
| 0 | 0 | 0 | 177,689 | 205,071 | (27,382) |
| 0 | 0 | 0 | 0 | 4,541 | (4,541) |
| 0 | 0 | 0 | 325,000 | 36,800 | 288,200 |
| <u>341,495</u> | <u>350,892</u> | <u>(9,397)</u> | <u>502,689</u> | <u>507,449</u> | <u>(4,760)</u> |
| 3,645 | 27,290 | 23,645 | (17,602) | 8,723 | 26,325 |
| <u>(32,500)</u> | <u>(32,500)</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| (28,855) | (5,210) | 23,645 | (17,602) | 8,723 | 26,325 |
| <u>126,216</u> | <u>53,778</u> | <u>(72,438)</u> | <u>98,260</u> | <u>134,072</u> | <u>35,812</u> |
| <u>\$ 97,361</u> | <u>\$ 48,568</u> | <u>\$ (48,793)</u> | <u>\$ 80,658</u> | <u>\$ 142,795</u> | <u>\$ 62,137</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, 2017

| | Pool and Open Space Fund | | |
|--|--------------------------|----------|--|
| | Original Budget | Actual | Variance Favorable (Unfavorable) |
| Revenues | | | |
| Interest Income and Rents | \$ 0 | \$ 0 | \$ 0 |
| Miscellaneous Revenues | 0 | 0 | 0 |
| Total Revenues | 0 | 0 | 0 |
| Expenditures | | | |
| Public Safety | 0 | 0 | 0 |
| Parks and Recreation | 75,000 | 29,993 | 45,007 |
| Capital Expenditures | 0 | 0 | 0 |
| Total Expenditures | 75,000 | 29,993 | 45,007 |
| Excess (Deficiency) of Revenues Over Expenditures | (75,000) | (29,993) | 45,007 |
| Other Financing Sources (Uses) | | | |
| Operating Transfers In (Out) | 75,000 | 27,942 | (47,058) |
| Net Change in Fund Balances | 0 | (2,051) | (2,051) |
| Fund Balances | | | |
| Beginning of Year | 590 | 3,039 | 2,449 |
| End of Year | \$ 590 | \$ 988 | \$ 398 |

| Park and Recreation Reserve Fund | | | Equipment Reserve Fund | | |
|----------------------------------|-----------|--|------------------------|------------|--|
| Original Budget | Actual | Variance Favorable (Unfavorable) | Original Budget | Actual | Variance Favorable (Unfavorable) |
| \$ 0 | \$ 0 | \$ 0 | \$ 154 | \$ 0 | \$ (154) |
| 6,100 | 48,785 | 42,685 | 0 | 0 | 0 |
| 6,100 | 48,785 | 42,685 | 154 | 0 | (154) |
| 0 | 0 | 0 | 135,000 | 63,150 | 71,850 |
| 8,500 | 5,191 | 3,309 | 0 | 0 | 0 |
| 205,000 | 301,250 | (96,250) | 0 | 0 | 0 |
| 213,500 | 306,441 | (92,941) | 135,000 | 63,150 | 71,850 |
| (207,400) | (257,656) | (50,256) | (134,846) | (63,150) | 71,696 |
| 32,500 | 131,045 | 98,545 | 126,214 | 216,414 | 90,200 |
| (174,900) | (126,611) | 48,289 | (8,632) | 153,264 | 161,896 |
| 182,760 | 165,780 | (16,980) | 349,595 | 367,595 | 18,000 |
| \$ 7,860 | \$ 39,169 | \$ 31,309 | \$ 340,963 | \$ 520,859 | \$ 179,896 |

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
Debt Service Fund
Year Ended December 31, 2017

| | <u>Original Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|--|--------------------------|--------------------------|---|
| Operating Revenues | | | |
| Taxes | \$ 586,400 | \$ 664,620 | \$ 78,220 |
| Miscellaneous Revenues | 29,500 | 27,346 | (2,154) |
| Total Revenues | <u>615,900</u> | <u>691,966</u> | <u>76,066</u> |
| Expenditures | | | |
| Debt Service - Principal | 474,526 | 341,526 | 133,000 |
| Debt Service - Interest | 156,147 | 85,226 | 70,921 |
| Total Expenditures | <u>630,673</u> | <u>426,752</u> | <u>203,921</u> |
| Excess (Deficiency) of Revenues Over Expenditures | (14,773) | 265,214 | 279,987 |
| Other Financing Sources (Uses) | | | |
| Operating Transfers In (Out) | <u>68,786</u> | <u>(121,152)</u> | <u>(189,938)</u> |
| Net Change in Fund Balances | 54,013 | 144,062 | 90,049 |
| Fund Balances | | | |
| Beginning of Year | <u>508,021</u> | <u>571,711</u> | <u>63,690</u> |
| End of Year | <u><u>\$ 562,034</u></u> | <u><u>\$ 715,773</u></u> | <u><u>\$ 153,739</u></u> |