

BOROUGH OF HATFIELD

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Year Ended December 31, 2021

INTRODUCTORY SECTION

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FINANCIAL SECTION

Independent Auditors' Report

To the Borough Council
Borough of Hatfield
Hatfield, Pennsylvania

Opinion

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 the Borough of Hatfield as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Borough of Hatfield's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Hatfield as of December 31, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Hatfield's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough of Hatfield's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 10, budgetary comparison information on pages 49 and 50, and the pension schedules on pages 51 through 53 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Borough Council
Borough of Hatfield
Hatfield, Pennsylvania

Supplementary Information

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

A handwritten signature in black ink, appearing to read "Mailli Uf". The signature is written in a cursive, fluid style.

Limerick, Pennsylvania
December 1, 2022

BOROUGH OF HATFIELD

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2021

This section of the Borough of Hatfield's (the Borough) annual financial report presents our discussion and analysis of the Borough's financial performance during the fiscal year that ended on December 31, 2021.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2021 include the following:

- The assets of the Borough of Hatfield exceeded its liabilities at December 31, 2021, by \$11,869,160 (net position). Of this amount, \$3,678,224 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- At the close of the current fiscal year, the government's total net position decreased by \$83,802.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Borough's annual financial report consists of several sections. Taken together, they provide a comprehensive financial look at the Borough. The components of the report include the independent auditors' report, management's discussion and analysis, government-wide financial statements, fund financial statements and notes to the basic financial statements. This report also contains other required and not required supplementary information in addition to the basic financial statements.

The independent auditors' report briefly describes the audit engagement and also renders an opinion as to the material components of the Borough's financial position.

Management's discussion and analysis (MD&A), prepared by the Borough's management, provides a narrative introduction and overview that users of the financial statements need to interpret the basic financial statements. The MD&A also provides analysis of some key data that is presented in the basic financial statements. It also addresses any other currently known facts, decisions, or conditions that are expected to have significant effect on financial position or results of operations.

The basic financial statements include the statement of net position, statement of activities, fund financial statements and the notes to the basic financial statements. Statement of net position and activities focus on entity-wide presentation using the accrual basis of accounting. They are designed to be more corporate-like in that all activities are consolidated into a total for the Borough.

- The statement of net position focuses on resources available for future operations. This statement presents a snapshot view of the assets the Borough owns, the liabilities it owes and the net difference.
- The statement of activities focuses on gross and net costs of the Borough programs and the extent to which such programs rely upon taxes and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by other sources.

BOROUGH OF HATFIELD

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2021

Fund financial statements focus separately on major Governmental Funds, Proprietary Funds, and Fiduciary Funds. Governmental Funds statements follow the more traditional presentation of financial statements. The Borough's major Governmental Funds (General Fund, Capital Projects Fund, and Building Fund) are presented in separate columns, and the remaining funds are combined into a column titled "Other Governmental Funds." Statements for the Borough's Proprietary and Fiduciary Funds follow the Governmental Funds and include net position, revenues, expenses, and changes in net position and cash flows. The Proprietary Funds represent the Borough's Sewer and Electric Funds and can be found in more detail beginning with the statement of net position, Proprietary Fund. Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. The Borough's Fiduciary Funds consist of the Pension Funds. Fiduciary Funds are not reflected in the governmental-wide statements because the Borough cannot use these assets to finance its operations.

- The notes to the basic financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the Borough's financial condition.

Other required supplementary information is additional information consisting of budgetary comparisons for the General Fund and pension plan funding progress.

Other supplementary information consists of the balance sheet and statements of revenues, expenditures and changes in fund balances for Other Non-Major Governmental Funds, as well as combining fiduciary fund statements.

FINANCIAL ANALYSIS OF THE BOROUGH AS A WHOLE

Net Position

The Borough's net position was \$11,869,160 on December 31, 2021. (See Table A-1)

Table A-1
The Borough's Net Position

	Governmental Activities	Business-Type Activities	2021 Totals	2020 Totals
ASSETS				
Current and other assets	\$ 2,714,564	\$ 3,061,631	\$ 5,776,195	\$ 5,059,042
Capital and non-current assets	9,573,406	3,674,252	13,247,658	12,316,624
TOTAL ASSETS	<u>12,287,970</u>	<u>6,735,883</u>	<u>19,023,853</u>	<u>17,375,666</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflow s of resources, pension activity	63,997	63,997	127,994	872
LIABILITIES				
Current liabilities	548,507	497,496	1,046,003	774,058
Long-term liabilities	4,132,473	1,903,720	6,036,193	4,553,910
TOTAL LIABILITIES	<u>4,680,980</u>	<u>2,401,216</u>	<u>7,082,196</u>	<u>5,327,968</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflow s of resources, pension activity	100,245	100,246	200,491	95,608
NET POSITION				
Net investment in capital assets	6,347,416	1,712,691	8,060,107	7,834,712
Restricted	130,829	-	130,829	271,558
Unrestricted	1,092,497	2,585,727	3,678,224	3,846,692
TOTAL NET POSITION	<u>\$ 7,570,742</u>	<u>\$ 4,298,418</u>	<u>\$ 11,869,160</u>	<u>\$ 11,952,962</u>

BOROUGH OF HATFIELD

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2021

Changes in Net Position

The entity-wide total revenues were \$5,685,109 for the year ended December 31, 2021. Earned income taxes and property taxes accounted for 15% of total revenue for the year. (See Table A-2)

Table A-2
Change in Net Position

	Governmental Activities	Business-Type Activities	2021 Totals	2020 Totals
REVENUES				
Program revenues				
Charges for services	\$ 149,990	\$ 4,422,979	\$ 4,572,969	\$ 4,586,152
Operating grants	170,407	-	170,407	170,568
General revenues				
Property tax	305,656	-	305,656	270,295
Deed transfer tax	70,169	-	70,169	33,822
Earned income tax	480,990	-	480,990	468,091
Alcoholic beverage tax	-	-	-	600
Investment earnings	1,444	25,574	27,018	70,813
Other	57,938	-	57,938	27,089
Transfers	958,113	(958,113)	-	-
TOTAL REVENUES	2,194,707	3,490,440	5,685,147	5,627,430
EXPENSES				
General government	532,551	-	532,551	522,741
Protection to persons and public	1,043,868	-	1,043,868	976,605
Sanitation	9,209	-	9,209	8,549
Sewer and electric	-	3,373,055	3,373,055	3,419,552
Highways	359,439	-	359,439	238,870
Recreation	72,173	-	72,173	79,639
Depreciation and amortization	336,304	-	336,304	325,422
Interest	42,350	-	42,350	63,428
TOTAL EXPENSES	2,395,894	3,373,055	5,768,949	5,634,806
CHANGE IN NET POSITION	(201,187)	117,385	(83,802)	(7,376)
Beginning net position	7,771,929	4,181,033	11,952,962	11,960,338
Ending net position	\$ 7,570,742	\$ 4,298,418	\$ 11,869,160	\$ 11,952,962

Total expenses exceeded revenues, decreasing net position \$83,802 from last year.

FINANCIAL ANALYSIS OF THE BOROUGH AT THE FUND LEVEL

General Fund Budgetary Highlights (See Page 49 for Detailed Schedule)

Over the course of the year, the Borough did not revise the annual operating budget.

- Actual revenues were \$72,047 higher than budgeted.
- The actual expenditures were \$33,571 lower than budgeted.

BOROUGH OF HATFIELD

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2021

Construction Projects and Debt Service

Council approved budget for 2021 allocates \$9,357,096.08 in Revenues with Expenditures of \$9,364,025.23 in all 10 funds of the budget. The primary focus of Borough Council, Staff, and Consultants in 2021 is working with State Senator Maria Collett & State Representative Steve Malagari on Grant Funding.

HERC (Hatfield Economic Revitalization Committee) is currently administering several recommendations of the 2009 Revitalization Plan. Such recommendations include the development of community events and grant opportunities for businesses. With the onset of the COVID-19 Health Emergency, many of the 2020 community events have been canceled. In 2021 the committee continued alternatives such as live streaming of the Memorial Day Parade and movies in the park with social distancing and a few twists for active social distance events. A summer closeout concert was held in Centennial Park with social distance guidelines in place. Borough Council supported a Halloween walk-through for children. Both events were successful. The Christmas Tree lighting was the highlight of community events for 2021. The event was sponsored by Grace Lutheran Church and Boy Scout Troop 51. The inclusion of a local church and scout troop seemed to increase family participation.

The Montgomery County Planning Commission adopted the MONTCO 2040: A SHARED VISION the Comprehensive Plan for Montgomery County in 2015. This plan now has \$ 1,000,000 allocated in 2016 with annual allocations over the next five years. The Borough continues to apply for grants in the program. In 2021, Hatfield Borough was awarded a County Transportation Program Grant to install a pair of flashers at the Hatfield Vol. Fire Co. in partnership with Hatfield Township and a Community Transportation Program Grant for a pedestrian crossing in on Main Street in the Borough.

In keeping with the theme of grant 2021, Hatfield Borough was also awarded a Multi-Modal Transportation Grant for two pedestrian crosswalks in the Borough and completed a Liberty Bell Trail Feasibility Study to understand and make local walkable connections to neighboring communities.

These funding opportunities also keep in mind the MONTCO 2040: A SHARED VISION the Comprehensive Plan for Montgomery County as they promote safe, walkable, community connections.

In 2020 the Borough awarded contracts with several contractors through the public bidding process for concrete & paving projects. All projects were completed and the maintenance reviews of the work were performed in 2021.

In efforts to reduce I & I (Inflow and Infiltration) into the Borough's sanitary sewer system in 2018, the Borough applied for and received a CDBG (Community Development & Block Grant) to replace the sanitary sewer main on Orchard Lane. The grant application was unsuccessful but the Borough resubmitted the application for 2020 and was awarded the CDBG Grant to replace the sanitary sewer line on Orchard Lane. Since Forest Way is a small section of the Borough system between East School Street and Orchard Lane Borough Council added it to the contract bid packet. Adding the small section would allow future Borough Council's the rest assured this section of the Borough would not require sanitary sewer replacement or I&I remediation for many years. In 2021 Borough Council amended the Code of Ordinances to make it mandatory to review private sewer laterals during the sale of a property. The Orchard Lane Forest Way sanitary sewer replacement project was awarded in 2021 with completion anticipated by December 31, 2021.

BOROUGH OF HATFIELD

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2021

Factors bearing on the Borough's Future

The electric system is a major portion of the Borough's budget and resources. There are many factors that will affect the rates paid by the Borough in any new contract including the overall availability of electrical power generation sources, transmission congestion, and prices for peak power and base loads. Based on recommendations from Utility Engineers the Borough's electric consultant the Borough moved toward restructuring the current PPA (Power Purchase Agreement). The Borough is currently under contract with NextEra Energy for electric services through 2032. Hatfield Borough entered into a contract with AMP (American Municipal Power) to replace the aging electric meter reading system with a new AMI (Advanced Metering Infrastructure) system. The system will allow remote reads and disconnects of electric meters. The system will also provide a customer portal to all account holders. The customer portal will provide useful hints on saving energy as well as customer billing and usage information. Hatfield Borough has also decided to install a BTM (Behind the Meter) Generator. The American Municipal Power generator project is under design and is scheduled to be online by the end of 2022. The generator will be utilized for peak shaving to reduce future costs for transmission and capacity charges from PJM.

The Borough worked with HTMA to make repairs to the Neshaminy Interceptor sanitary sewer conveyance system from the Borough connection to the sewer plant in Hatfield Township. The project began in late 2019 and was completed in the summer of 2020.

The federal and state governments in an effort to protect and improve the water quality of local streams is also placing additional burdens on boroughs and townships. The Municipal Separate Storm Sewer (MS4) Program mandates that the Borough obtain a NPDES permit for discharges of stormwater into the local watershed. Through the MS4 Program, the Borough will be required to map its storm sewer collection and conveyance system and monitor its discharges into the waterways. The Borough has taken steps to meet the public education and outreach requirements by including the pertinent information on the Borough website, HTV, and newsletter. Even though the program was mandated by the federal government under the Clean Water Act. In 2020 the Borough applied for several grants to address repairs to the stormwater system. The Borough with major support from Senator Collett and Representative Malagari received two grants. One for stormwater repairs on East & West Broad Street and one for sanitary sewer repairs to North Main Street. These two grants will increase the Borough's debt service both in the short and long term. Borough Council feels the added debt is well worth the value it brings to the community.

In 2019 Borough Council began the year in the newly constructed Municipal Complex. As the entire country became affected by the COVID-19 Pandemic staff and Borough Council made arrangements to hold meetings via ZOOM. Once the Emergency Declaration issued by the Governor expired Borough Council returned to meeting in person July of 2021.

Borough Council adopted the 2021 Budget with a 1.00 mil increase to real estate taxes for a total of 3.25 mills.

CONTACTING THE BOROUGH'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Borough's finances and to demonstrate the accountability for the money that the Borough receives and disburses. If you have any questions about this report or need additional information, contact Jamie Snyder, Borough Manager.

BOROUGH OF HATFIELD
STATEMENT OF NET POSITION
DECEMBER 31, 2021

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 1,868,668	\$ 426,371	\$ 2,295,039
Investments	-	2,862,341	2,862,341
Taxes receivable	114,823	-	114,823
Accounts receivable	13,882	445,499	459,381
Internal balances	672,580	(672,580)	-
Restricted assets			
Escrow deposits	44,611	-	44,611
Net pension asset	57,841	57,841	115,682
Capital assets not being depreciated			
Land	753,711	-	753,711
Construction in progress	1,252,822	-	1,252,822
Capital assets being depreciated, net			
Building and other improvements	4,239,900	74,321	4,314,221
Machinery, vehicles, furniture and equipment	185,608	178,720	364,328
Infrastructure	3,083,524	3,363,370	6,446,894
TOTAL ASSETS	<u>12,287,970</u>	<u>6,735,883</u>	<u>19,023,853</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources, pension activity	<u>63,997</u>	<u>63,997</u>	<u>127,994</u>
LIABILITIES			
Accounts payable	214,088	285,888	499,976
Accrued expenses	63,191	15,832	79,023
Unearned revenue	224,117	-	224,117
Due to other government	2,500	-	2,500
Escrows payable	44,611	195,776	240,387
Long-term liabilities			
Portion due or payable within one year			
Capital lease	13,295	-	13,295
Loans payable	279,410	133,590	413,000
Portion due or payable after one year			
Capital lease	13,898	-	13,898
Loans payable	3,825,870	1,770,130	5,596,000
TOTAL LIABILITIES	<u>4,680,980</u>	<u>2,401,216</u>	<u>7,082,196</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources, pension activity	<u>100,245</u>	<u>100,246</u>	<u>200,491</u>
NET POSITION			
Net investment in capital assets	6,347,416	1,712,691	8,060,107
Restricted - highway aid	130,829	-	130,829
Unrestricted	<u>1,092,497</u>	<u>2,585,727</u>	<u>3,678,224</u>
TOTAL NET POSITION	<u>\$ 7,570,742</u>	<u>\$ 4,298,418</u>	<u>\$ 11,869,160</u>

See accompanying notes to the basic financial statements.

BOROUGH OF HATFIELD
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

Functions/Programs	Expenses	Program Revenues	
		Fees, Charges, Fines and Other	Operating Grants and Contributions
GOVERNMENTAL ACTIVITIES			
General	\$ 532,551	\$ 122,145	\$ 19,626
Protection to persons and property	1,043,868	27,845	64,064
Sanitation	9,209	-	-
Highways	359,439	-	86,717
Recreation	72,173	-	-
Depreciation	336,304	-	-
Interest	42,350	-	-
TOTAL GOVERNMENTAL ACTIVITIES	2,395,894	149,990	170,407
BUSINESS-TYPE ACTIVITIES			
Electric	2,716,393	3,741,279	-
Sewer	656,662	681,700	-
TOTAL BUSINESS-TYPE ACTIVITIES	3,373,055	4,422,979	-
TOTAL GOVERNMENTAL ACTIVITIES	\$ 5,768,949	\$ 4,572,969	\$ 170,407
GENERAL REVENUES			
Taxes			
Property			
Deed transfer			
Earned income			
Investment income			
Miscellaneous			
TRANSFERS			
TOTAL GENERAL REVENUES AND TRANSFERS			
CHANGE IN NET POSITION			
NET POSITION AT BEGINNING OF YEAR			
NET POSITION AT END OF YEAR			

See accompanying notes to the basic financial statements.

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Totals
\$ -	\$ (390,780)	\$ -	\$ (390,780)
-	(951,959)	-	(951,959)
-	(9,209)	-	(9,209)
-	(272,722)	-	(272,722)
-	(72,173)	-	(72,173)
-	(336,304)	-	(336,304)
-	(42,350)	-	(42,350)
-	(2,075,497)	-	(2,075,497)
-	-	1,024,886	1,024,886
-	-	25,038	25,038
-	-	1,049,924	1,049,924
\$ -	(2,075,497)	1,049,924	(1,025,573)
	305,656	-	305,656
	70,169	-	70,169
	480,990	-	480,990
	1,444	25,574	27,018
	57,938	-	57,938
	958,113	(958,113)	-
	1,874,310	(932,539)	941,771
	(201,187)	117,385	(83,802)
	7,771,929	4,181,033	11,952,962
\$	\$ 7,570,742	\$ 4,298,418	\$ 11,869,160

BOROUGH OF HATFIELD**BALANCE SHEET****GOVERNMENTAL FUNDS****DECEMBER 31, 2021**

	General Fund	Capital Projects Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 632,909	\$ 1,069,096	\$ 35,263	\$ 131,400	\$ 1,868,668
Taxes receivable	114,823	-	-	-	114,823
Accounts receivable	10,348	-	-	3,534	13,882
Due from other funds	637,376	98,824	-	-	736,200
Restricted assets					
Escrow deposits	44,611	-	-	-	44,611
TOTAL ASSETS	\$ 1,440,067	\$ 1,167,920	\$ 35,263	\$ 134,934	\$ 2,778,184
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 53,863	\$ 159,654	\$ -	\$ 571	\$ 214,088
Accrued expenditures	63,191	-	-	-	63,191
Due to other government	2,500	-	-	-	2,500
Unearned revenue	174,117	50,000	-	-	224,117
Due to other funds	-	-	-	63,620	63,620
Escrow funds payable	44,611	-	-	-	44,611
TOTAL LIABILITIES	338,282	209,654	-	64,191	612,127
FUND BALANCES					
Restricted - highway aid	-	-	-	130,829	130,829
Assigned - building	-	-	35,263	-	35,263
Unassigned	1,101,785	958,266	-	(60,086)	1,999,965
TOTAL FUND BALANCES	1,101,785	958,266	35,263	70,743	2,166,057
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,440,067	\$ 1,167,920	\$ 35,263	\$ 134,934	\$ 2,778,184

See accompanying notes to the basic financial statements.

BOROUGH OF HATFIELD

RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES DECEMBER 31, 2021

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 2,166,057
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Land and land improvements	753,711
Construction in progress	1,252,822
Infrastructure	3,083,524
Building and other improvements	4,239,900
Machinery, vehicles, furniture and equipment	185,608
Deferred inflows and outflows of resources related to pension activities are not financial resources and therefore not reported in the governmental funds.	(36,248)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
Loans payable	(4,105,280)
Capital lease	(27,193)
Net pension liability	<u>57,841</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 7,570,742</u></u>

See accompanying notes to the basic financial statements.

BOROUGH OF HATFIELD
**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021**

	General Fund	Capital Projects Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 822,412	\$ -	\$ -	\$ 49,724	\$ 872,136
Licenses and permits	93,255	-	-	-	93,255
Fines, forfeits and costs	2,055	-	-	-	2,055
Interest on investments	204	1,076	15	149	1,444
Intergovernmental revenues	47,973	-	-	79,870	127,843
Charges for services	62,297	-	-	-	62,297
Miscellaneous	55,375	2,563	19,626	-	77,564
TOTAL REVENUES	<u>1,083,571</u>	<u>3,639</u>	<u>19,641</u>	<u>129,743</u>	<u>1,236,594</u>
EXPENDITURES					
General	621,509	-	-	-	621,509
Protection to persons and property	990,201	-	-	53,667	1,043,868
Sanitation	9,209	-	-	-	9,209
Highways	189,656	-	-	206,221	395,877
Recreation	72,173	-	-	-	72,173
Debt service					
Principal	-	255,180	-	14,527	269,707
Interest	-	42,350	-	-	42,350
Capital outlays	-	1,224,900	7,670	-	1,232,570
TOTAL EXPENDITURES	<u>1,882,748</u>	<u>1,522,430</u>	<u>7,670</u>	<u>274,415</u>	<u>3,687,263</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(799,177)</u>	<u>(1,518,791)</u>	<u>11,971</u>	<u>(144,672)</u>	<u>(2,450,669)</u>
OTHER FINANCING SOURCES (USES)					
Notes issued	-	1,955,000	-	-	1,955,000
Transfers in	2,318,082	1,591,589	-	-	3,909,671
Transfers out	(1,775,836)	(1,175,722)	-	-	(2,951,558)
TOTAL OTHER FINANCING SOURCES (USES)	<u>542,246</u>	<u>2,370,867</u>	<u>-</u>	<u>-</u>	<u>2,913,113</u>
NET CHANGE IN FUND BALANCES	(256,931)	852,076	11,971	(144,672)	462,444
FUND BALANCES AT BEGINNING OF YEAR	<u>1,358,716</u>	<u>106,190</u>	<u>23,292</u>	<u>215,415</u>	<u>1,703,613</u>
FUND BALANCES AT END OF YEAR	<u>\$ 1,101,785</u>	<u>\$ 958,266</u>	<u>\$ 35,263</u>	<u>\$ 70,743</u>	<u>\$ 2,166,057</u>

See accompanying notes to the basic financial statements.

BOROUGH OF HATFIELD

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2021

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	462,444
Purchases of capital assets are considered expenditures in the Governmental Funds but are capitalized as assets in the statement of net position. Further, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which depreciation (\$336,304) is exceeded by capital outlays (\$1,254,814) in the current period.		918,510
The issuance of long-term debt (e.g. notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt.		(1,687,101)
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in Governmental Funds:		
Pension plan expense		<u>104,960</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u><u>(201,187)</u></u>

See accompanying notes to the basic financial statements.

BOROUGH OF HATFIELD
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2021

	Enterprise Funds		Total Proprietary Funds
	Electric Fund	Sewer Fund	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
CURRENT ASSETS			
Cash and cash equivalents	\$ 227,612	\$ 198,759	\$ 426,371
Investments	1,450,571	1,411,770	2,862,341
Accounts receivable	391,671	53,828	445,499
Due from other funds	-	88,558	88,558
TOTAL CURRENT ASSETS	2,069,854	1,752,915	3,822,769
NONCURRENT ASSETS			
Net pension asset	46,273	11,568	57,841
Capital assets			
Building and other improvements	63,107	309,902	373,009
Machinery, vehicles and equipment	933,293	396,227	1,329,520
Infrastructure	2,954,645	3,394,756	6,349,401
Less accumulated depreciation	(2,740,535)	(1,694,984)	(4,435,519)
TOTAL CAPITAL ASSETS (NET OF DEPRECIATION)	1,210,510	2,405,901	3,616,411
TOTAL NONCURRENT ASSETS	1,256,783	2,417,469	3,674,252
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	51,198	12,799	63,997
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	3,377,835	4,183,183	7,561,018
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	170,532	115,356	285,888
Accrued expenses	12,941	2,891	15,832
Current portion of long-term debt	121,290	12,300	133,590
Refundable deposits	195,776	-	195,776
Due to other fund	761,138	-	761,138
TOTAL CURRENT LIABILITIES	1,261,677	130,547	1,392,224
LONG-TERM LIABILITIES			
Long-term debt	1,430,630	339,500	1,770,130
TOTAL LIABILITIES	2,692,307	470,047	3,162,354
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	80,197	20,049	100,246
NET POSITION			
Net investment in capital assets	(341,410)	2,054,101	1,712,691
Unrestricted	946,741	1,638,986	2,585,727
TOTAL NET POSITION	\$ 605,331	\$ 3,693,087	\$ 4,298,418

See accompanying notes to the basic financial statements.

BOROUGH OF HATFIELD
**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2021**

	Enterprise Funds		Total Proprietary Funds
	Electric Fund	Sewer Fund	
OPERATING REVENUES			
Charges for services			
Sales of electricity	\$ 3,741,001	\$ -	\$ 3,741,001
Sewer fees	-	681,700	681,700
TOTAL OPERATING REVENUES	<u>3,741,001</u>	<u>681,700</u>	<u>4,422,701</u>
OPERATING EXPENSES			
Purchased power	1,738,663	-	1,738,663
Purchased services	169,692	436,590	606,282
Salaries and wages	239,152	68,934	308,086
General and administrative	328,520	53,196	381,716
Insurance and employee benefits	118,043	25,336	143,379
Miscellaneous	9,564	922	10,486
Depreciation	99,155	68,568	167,723
TOTAL OPERATING EXPENSES	<u>2,702,789</u>	<u>653,546</u>	<u>3,356,335</u>
OPERATING INCOME	<u>1,038,212</u>	<u>28,154</u>	<u>1,066,366</u>
NONOPERATING REVENUES (EXPENSES)			
Interest expense	(13,604)	(3,116)	(16,720)
Miscellaneous income	278	-	278
Unrealized gain (loss) on investments	41,613	(16,039)	25,574
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>28,287</u>	<u>(19,155)</u>	<u>9,132</u>
INCOME (LOSS) BEFORE INTERFUND TRANSFERS	1,066,499	8,999	1,075,498
INTERFUND TRANSFERS			
Transfers in	361,836	130,799	492,635
Transfers out	(1,441,331)	(9,417)	(1,450,748)
TOTAL INTERFUND TRANSFERS	<u>(1,079,495)</u>	<u>121,382</u>	<u>(958,113)</u>
CHANGE IN NET POSITION	(12,996)	130,381	117,385
NET POSITION AT BEGINNING OF YEAR	<u>618,327</u>	<u>3,562,706</u>	<u>4,181,033</u>
NET POSITION AT END OF YEAR	<u>\$ 605,331</u>	<u>\$ 3,693,087</u>	<u>\$ 4,298,418</u>

See accompanying notes to the basic financial statements.

BOROUGH OF HATFIELD
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2021

	Enterprise Funds		Total Proprietary Funds
	Electric Fund	Sewer Fund	
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 3,697,693	\$ 690,552	\$ 4,388,245
Payments to suppliers and vendors	(2,418,560)	(533,599)	(2,952,159)
Payments to employees	(237,472)	(68,858)	(306,330)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,041,661</u>	<u>88,095</u>	<u>1,129,756</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	361,836	130,799	492,635
Transfers to other funds	(1,441,331)	(9,417)	(1,450,748)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(1,079,495)</u>	<u>121,382</u>	<u>(958,113)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Net repayments on long-term debt	(120,620)	(12,200)	(132,820)
Acquisition and construction of capital assets	-	(64,565)	(64,565)
Interest paid on capital debt	(13,604)	(3,116)	(16,720)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(134,224)</u>	<u>(79,881)</u>	<u>(214,105)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of investments	(38,118)	25,456	(12,662)
Interest on investments	278	(16,039)	(15,761)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(37,840)</u>	<u>9,417</u>	<u>(28,423)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(209,898)	139,013	(70,885)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>437,510</u>	<u>59,746</u>	<u>497,256</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 227,612</u>	<u>\$ 198,759</u>	<u>\$ 426,371</u>

BOROUGH OF HATFIELD
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2021

	Enterprise Funds		Total Proprietary Funds
	Electric Fund	Sewer Fund	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 1,038,212	\$ 28,154	\$ 1,066,366
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	99,155	68,568	167,723
Pension expense	(83,967)	(20,992)	(104,959)
(Increase) decrease in			
Accounts receivable	(58,648)	8,852	(49,796)
Increase (decrease) in			
Accounts payable	(101,709)	3,437	(98,272)
Accrued expenses	1,680	76	1,756
Refundable deposits	15,340	-	15,340
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ <u>1,041,661</u>	\$ <u>88,095</u>	\$ <u>1,129,756</u>

See accompanying notes to the basic financial statements.

BOROUGH OF HATFIELD

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

DECEMBER 31, 2021

	<u>Pension Trust Funds</u>
ASSETS	
Cash and cash equivalents	\$ 35,291
Investments	
Mutual funds, at market	2,513,358
Municipal contribution receivable	<u>9,043</u>
TOTAL ASSETS	\$ <u><u>2,557,692</u></u>
NET POSITION	
Restricted for pensions	\$ <u><u>2,557,692</u></u>

See accompanying notes to the basic financial statements.

BOROUGH OF HATFIELD

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2021

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions	
Commonwealth	\$ 47,973
Employer	<u>122,854</u>
TOTAL CONTRIBUTIONS	<u>170,827</u>
Investment earnings	
Net increase in fair value of investments	177,684
Interest and dividends	<u>132,357</u>
NET INVESTMENT EARNINGS	<u>310,041</u>
DEDUCTIONS	
Benefits	<u>170,006</u>
CHANGE IN NET POSITION	310,862
NET POSITION AT BEGINNING OF YEAR	<u>2,246,830</u>
NET POSITION AT END OF YEAR	<u>\$ 2,557,692</u>

See accompanying notes to the basic financial statements.

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Borough's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2021. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies established in GAAP and used by the Borough are discussed below.

Reporting Entity

The Borough is a municipal government existing under the laws of the Commonwealth of Pennsylvania. The Borough operates under a council-mayor form of government in accordance with the Pennsylvania Borough Code.

Fiduciary Component Unit

The Hatfield Borough Pension Plan is a single employer defined benefit pension plan that provides pensions for substantially all full-time employees. Although the plan is a separate legal entity it is reported as if it is part of the government as it is governed by a committee comprised of members appointed by the Board of the Borough and the Borough is responsible for funding the plan. The plan is reported as a fiduciary fund and does not issue separate financial statements.

Basic Financial Statements

Government-Wide Statements - The government-wide financial statements (i.e. the statement of net position and the statement of activities) display information about the primary government and its component units. Based on the criteria set forth by GASB, the Borough has determined that there are no organizations or agencies which qualify as component units which should be included in these financial statements. These statements include the financial activities of the overall Borough government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

In the government-wide statement of net position, both the governmental and business-type activities columns: (a) are presented on a consolidated basis by column; and (b) are reported on a full, accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Borough's net position is reported in three parts: (1) net investment in capital assets; (2) restricted net position; and (3) unrestricted net position. The Borough first utilizes restricted resources to finance qualifying activities.

The statement of activities demonstrates the degree to which the direct expenses of each function of the Borough's governmental activities and different business-type activities are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) charges for services paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements - The fund financial statements provide information about the Borough's funds, including its fiduciary funds. Separate statements for each fund category--governmental, proprietary and fiduciary--are presented. The emphasis of governmental and proprietary fund financial statements is on major individual governmental and enterprise funds, with each displayed as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods. The principal operating revenues of the Borough's proprietary funds are charges to customers for services. Operating expenses include the cost of providing services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Borough reports the following major governmental funds:

The **General Fund** is the general operating fund of the Borough and accounts for all revenues and expenditures of the Borough not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to other funds are accounted for in this fund. General operating expenditures and capital improvement costs not paid through other funds are paid from the General Fund. The primary sources of revenues are from property taxes and earned income taxes.

The **Capital Projects Fund** is used to account for financial resources to be used for the acquisition of capital equipment and for major capital improvements by the Borough.

The **Building Fund** is a capital project fund used to account for financial resources to be used for the construction of the new Borough Administrative building.

Additionally, the Borough reports the following fund types:

The **Special Revenue Funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Borough's Special Revenue Funds include the State Liquid Fuels Tax (Highway Aid) Fund and the Fire Fund. These funds are nonmajor funds and are included in Other Government Funds in the Fund financial statements.

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of Borough management is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges and where management has decided that periodic determination of revenue earned, expenses incurred and net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The Borough's Enterprise Funds include the Electric Fund and the Sewer Fund. These funds are included in the Proprietary Fund financial statements.

BOROUGH OF HATFIELD

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds are used to account for assets held by the Borough in a trustee capacity. The pension trust funds account for the assets of the government's municipal (non-uniform) employees and include both a defined benefit plan and a defined contribution plan.

Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. The Borough considers all revenues to be available if they are collected within 60 days after the end of the current period. Property and other taxes, licenses and interest are all considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When both restricted and unrestricted resources are available for use, it is the Borough's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting

Budgets are prepared on the same basis of accounting as the fund financial statements. Each fall, the Borough Council adopts an annual budget for the following year for the Governmental and Proprietary Funds as set forth in the Borough code. Legal budgetary control is at the fund level.

General Fund budgeted amounts are reported as originally adopted. Unexpended budget amounts lapse at the end of the year. The Council may take specific action to reserve or designate fund equity.

Assets, Liabilities and Net Position

Cash and Cash Equivalents - For the purpose of financial reporting, "cash and cash equivalents" include all demand and savings accounts and certificates of deposit with a maturity of three months or less.

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments - Statutes authorize the Borough to invest in: 1) obligations, participations and other instruments of any Federal agency, 2) repurchase agreements with respect to U.S. Treasury bills or obligations, 3) negotiable certificates of deposit, 4) bankers' acceptances, 5) commercial paper, 6) shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933, and 7) savings or demand deposits. The specific conditions under which the Borough may invest in these categories are detailed in Pennsylvania Act No. 53 of 1973, as amended by Pennsylvania Act No. 10 of 2016.

Under Act No. 72, enacted by the General Assembly of the Commonwealth of Pennsylvania, the funds deposited with the various banks are permitted to be secured on a pooled basis with all other public funds which the banking institution has on deposit. These may be bonds of the United States, any state of the United States, or bonds of any political subdivision of Pennsylvania or the general state authority or their authorities created by the General Assembly of the Commonwealth of Pennsylvania, or insured with the Federal Deposit Insurance Corporation. The market value of such bonds pledged must equal 120% of the funds deposited. The security pledged by the various depositories utilized during the year and at December 31, 2021, was in excess of the minimum requirements just described.

The Borough has adopted GASB Statements No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 72, *Fair Value Measurement and Application*. In accordance with these Statements, investments in marketable securities with readily determinable fair value and all investments in debt securities are reported at their fair values. Investments in certificates of deposit are reported at amortized cost basis.

Receivables and Payables - During the course of operations, numerous transactions occur between funds for goods or services, which require reimbursement. Amounts unpaid at the end of the year are reflected as due to/due from other funds.

Receivables at December 31, 2021, consist of taxes and fees for electric and sewer usage. All receivables are considered collectible because of the Borough's ability to lien delinquent accounts. Therefore, no allowance for doubtful accounts has been deemed necessary at December 31, 2021.

Inventory - The Borough does not maintain accounting records relating to the minor cost of materials and supplies inventories. Inventory includes small public works materials with high turnover that have been deemed immaterial.

Capital Assets - Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Borough as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset's lives are not capitalized.

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current period, the Borough did not have any capitalized interest.

Property, plant and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and other improvements	30-50
Machinery, vehicles, furniture and equipment	5-20
Infrastructure	30

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows 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 Borough has one item which qualifies for reporting in this category. The deferred outflow of resources related to pensions is reported in the government-wide statement of net position and the proprietary fund statement of net position and is the result of changes in plan assumptions.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Borough has one item which qualifies for reporting in this category. The deferred inflow of resources related to pensions is reported in the government-wide statement of net position and the proprietary fund statement of net position and is the result of differences between expected and actual experience and differences between projected and actual earnings on pension plan investments.

Long-Term Obligation - In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reporting as other financing sources while discounts on debt issuances are reported as other financing uses. Except for refunding's paid from proceeds, which are reported as other financing uses, issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position - Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on their use through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position amounts are considered unrestricted. Restricted resources are used first to fund appropriations. The Borough applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Balance - The Borough follows GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*. This statement provides defined fund balance categories to make the nature and extent of the constraints placed upon a government's fund balance more transparent. Fund balances of the government funds are classified as follows:

Non-Spendable - Amounts that cannot be spent because of their form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - Amounts that can be used only for specific purposes determined by a formal action of the Borough Council. The Council is the highest decision-making authority of the Borough. Commitments may be established, modified or rescinded only through ordinances or resolutions approved by the Borough Council.

Assigned - Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.

Unassigned - Residual net resources.

The Borough does not have any non-spendable, committed or assigned resources as of December 31, 2021.

Use of Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenues, Expenditures and Expenses - Tax revenues - General Fund property taxes and earned income taxes collected within 60 days subsequent to December 31 are recognized as revenue, if material and they apply to the prior year.

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE B - REPORTING ENTITY

In accordance with GASB standards, the Borough has evaluated all related entities (authorities, commissions and affiliates) for possible inclusion in the financial reporting entity. The Borough does not have any related entities that would require inclusion in the financial report.

The Hatfield Volunteer Fire Company is not considered a component unit of the Borough's reporting entity because the Borough does not have sufficient oversight responsibilities of the Fire Company.

NOTE C - DEPOSITS AND INVESTMENTS

Pennsylvania statutes provide for investment of municipal funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations and insured or collateralized time deposits and certificates of deposit. 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 practice. The Borough may also place deposits that are insured by the Federal Deposit Insurance Corporation ("FDIC") and deposits that are collateralized on an individual or pooled basis in accordance with Act No. 72 of the Commonwealth of Pennsylvania.

The deposit and investment policy of the Borough adheres to Pennsylvania statutes and prudent business practice. Deposits of the Borough are maintained in demand and savings accounts and are pooled for investment purposes in accounts at local financial institutions. These bank deposits are captioned as "cash and cash equivalents" in the combined balance sheet. The deposits and investments of the fiduciary funds are administered by trustees and are held separately from those of other municipal funds. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the Borough.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Borough's deposits may not be returned to it. The Borough does not have a deposit policy for custodial credit risk. As of December 31, 2021, the Borough's deposits with banks was \$2,338,391. Of the bank balances, 100% was covered by federal depository related insurance or collateralized in accordance with the Commonwealth of Pennsylvania Act 72. Under Act 72, a depository holding public funds in excess of the amounts insured by the FDIC must pledge assets to secure 120% of the Borough's deposits. The pledged assets must be at least equal to the total amounts of such assets required to secure all of the public deposits at the depository and may be on a pooled basis. All such pledged assets are held by the pledging financial institution's trust department or agent and not in the Borough's name. The Borough is responsible for monitoring compliance with the collateralization and reporting requirements of Act 72.

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

The Borough's cash balance includes \$44,611 of restricted escrow deposits. These monies are held by the Borough in a custodial capacity for developers.

Investments

As of December 31, 2021, the Borough had the following investments (excluding pension investments - see Note J):

	<u>Fair Market Value</u>
Money market funds	\$ 464,781
Fixed income mutual funds	<u>2,397,560</u>
	<u>\$ 2,862,341</u>

Fair Value Measurement

The Borough categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are those that lack significant observable inputs. All of the Borough's investments were valued at fair market value using Level 1 inputs.

Custodial Credit Risk - Investments

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Borough may not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The Borough has purchased from brokers negotiable certificates of deposit, in which the Borough receives pass-through depository insurance up to \$250,000 at each financial institution.

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk - Investments

The Borough does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Borough limits its interest rate risk by maintaining certain balances in liquid investments, which include money market mutual funds. The average maturities of the Borough's investments are less than one year.

Credit Risk - Investments

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Borough does not have a formal investment policy for credit risk. The Borough's investments in mutual funds and money market mutual funds were not rated.

Concentration of Credit Risk

The Borough does not have a formal investment policy for concentration of credit risk. At December 31, 2021, the Borough had the following investments (excluding Fiduciary Funds) which exceeded 5% of the Borough's total investments:

<u>Issuer</u>	<u>Type of Investment</u>	<u>Amount</u>	<u>Percentage of Investments (Excluding Fiduciary Funds)</u>
Federated Gov Obl Fd Premier Shares	Money Market Funds	\$ 464,781	16%
Vanguard Short-Term Treasury Fund	Mutual Fund	759,281	27%
Vanguard GNMA Fund	Mutual Fund	1,638,279	57%

NOTE D - ESCROW DEPOSITS

The Borough acts in a custodial capacity with respect to monies deposited with it by developers and others. These monies are held by the Borough and used to pay legal, engineering and other fees incurred on behalf of a specific project. Any unused deposits are returned to the developer upon completion of the project. None of the monies received from or expended on behalf of the developers is recorded in the revenues or expenditures of the entities. At December 31, 2021, \$44,611 is held in escrow.

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE E - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The following is a schedule of interfund receivable and payable balances as included in the fund financial statements of the Borough and a schedule of interfund balances that are due to certain disbursements that have been made in the pooled cash account:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Electric Fund	\$ 735,720
Capital Projects	General Fund	110,190
Capital Projects	Sewer Fund	19,442
Electric Fund	Capital Projects	30,808
Sewer Fund	Electric Fund	108,000
General Fund	Fire Fund	11,846
Electric Fund	Fire Fund	51,774
		<u>\$ 1,067,780</u>

When one fund has overdrawn its share of the pooled cash account, the Borough reflects an interfund liability in that fund payable to the fund that management deems to have lent the amount to the overdrawn fund. The fund deemed to have lent the amount reports an interfund receivable from the borrowing fund.

Interfund balances are expected to be repaid within a reasonable time period.

Funds are transferred from one fund to support expenditures of other funds in accordance with authority establishment for the individual fund. Fund financial statement transfers between funds during the year ended December 31, 2021, were as follows:

<u>Transfers Out</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Electric Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
General Fund	\$ -	\$ 1,497,306	\$ 227,612	\$ 50,918	\$ 1,775,836
Capital Projects Fund	961,617	-	134,224	79,881	1,175,722
Electric Fund	1,347,048	94,283	-	-	1,441,331
Sewer Fund	9,417	-	-	-	9,417
	<u>\$ 2,318,082</u>	<u>\$ 1,591,589</u>	<u>\$ 361,836</u>	<u>\$ 130,799</u>	<u>\$ 4,402,306</u>

NOTE F - REAL ESTATE PROPERTY TAX

Real estate taxes are recorded as revenue when available and measurable, that is, when the taxes are levied. They are levied March 1 and are due June 30 of each year. A two percent discount is allowed for taxes paid prior to May 1. A ten percent penalty is applied to taxes paid after June 30. Unpaid taxes are lien with Montgomery County by January 15 of the subsequent year.

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE G - PROPERTY AND EQUIPMENT

	Balance January 1, 2021	Additions	Deletions	Balance December 31, 2021
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 753,711	\$ -	\$ -	\$ 753,711
Construction in progress	193,312	1,059,510	-	1,252,822
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	947,023	1,059,510	-	2,006,533
Capital assets being depreciated				
Buildings and other improvements	4,957,775	-	-	4,957,775
Machinery, furniture, vehicles and equipment	1,248,450	-	-	1,248,450
Infrastructure	5,242,909	195,304	-	5,438,213
TOTAL CAPITAL ASSETS BEING DEPRECIATED	11,449,134	195,304	-	11,644,438
Accumulated depreciation				
Buildings and other improvements	(588,647)	(129,228)	-	(717,875)
Machinery, furniture, vehicles and equipment	(1,015,128)	(47,714)	-	(1,062,842)
Infrastructure	(2,195,327)	(159,362)	-	(2,354,689)
TOTAL ACCUMULATED DEPRECIATION	(3,799,102)	(336,304)	-	(4,135,406)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	7,650,032	(141,000)	-	7,509,032
 GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	 \$ 8,597,055	 \$ 918,510	 \$ -	 \$ 9,515,565
	Balance January 1, 2021	Additions	Deletions	Balance December 31, 2021
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Buildings and other improvements	\$ 373,009	\$ -	\$ -	\$ 373,009
Machinery, vehicles and equipment	1,264,955	64,565	-	1,329,520
Electric collection system	1,410,739	-	-	1,410,739
Sewage collection system	2,540,911	-	-	2,540,911
Infrastructure	2,397,751	-	-	2,397,751
TOTAL CAPITAL ASSETS BEING DEPRECIATED	7,987,365	64,565	-	8,051,930
Accumulated depreciation				
Buildings and other improvements	(290,452)	(8,236)	-	(298,688)
Machinery, vehicles and equipment	(1,113,090)	(37,710)	-	(1,150,800)
Electric collection system	(1,209,726)	(19,655)	-	(1,229,381)
Sewage collection system	(1,006,102)	(31,761)	-	(1,037,863)
Infrastructure	(648,426)	(70,361)	-	(718,787)
TOTAL ACCUMULATED DEPRECIATION	(4,267,796)	(167,723)	-	(4,435,519)
BUSINESS-TYPE CAPITAL ASSETS, net	\$ 3,719,569	\$ (103,158)	\$ -	\$ 3,616,411

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE G - PROPERTY AND EQUIPMENT (Continued)

Depreciation expense charged to governmental functions (primarily for highways - infrastructure and equipment) and business-type functions amounted to \$336,304 and \$167,723, respectively, for the year ended December 31, 2020.

NOTE H - CAPITAL LEASE OBLIGATIONS

In 2019, The Borough acquired a vehicle under the provisions of a long-term lease. For financial reporting purposes, minimum lease payments relating to the truck have been capitalized. The lease expires in 2023.

Assets acquired under capital leases included in machinery, furniture and equipment are as follows:

Cost	\$ 66,590
Less accumulated depreciation	<u>(28,856)</u>
	<u>\$ 37,734</u>

The future minimum lease payments under the capital leases and the net present value of future minimum capital lease payments at December 31, 2021, are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 14,527
2023	<u>14,527</u>
	29,054
Less amount representing interest	<u>(1,861)</u>
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	<u>\$ 27,193</u>

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE I - LONG-TERM DEBT

Summary of Activity

On September 8, 2003, the Borough entered into a loan agreement with the Delaware Valley Regional Finance Authority. The general obligation note, Series B of 2003, has a term of 20 years and a variable interest rate not to exceed 15%. The rate is calculated weekly by the Program Administrator at a rate sufficient to pay the payments due to the bondholders and monthly finance charges. The interest rate at December 31, 2020, was 0.632%. Interest is payable monthly. Principal is paid annually commencing on June 25, 2018, with a final installment due June 25, 2023. As of December 31, 2021, the amount outstanding was \$536,000. The Borough has pledged its general taxing power for the payment of the loan.

On August 20, 2020, the Borough issued General Obligation Note, Series of 2020, in the amount of \$3,640,000, to refund General Obligation Loan, Series B of 2016. The general obligation note, Series of 2020, has a term of 10 years with an interest rate of 0.873%. As of December 31, 2021, the amount outstanding was \$3,518,000.

On March 25, 2021, the Borough issued General Obligation Note, Series of 2021 in the amount of \$1,955,000, to fund various capital improvements. The general obligation note, Series of 2021, has a term of 20 years with an interest rate of 1.0% to 2.0%. As of December 31, 2021, the amount outstanding was \$1,955,000.

Interest Rate Management Plan

The Series 2003B Note was issued by the Delaware Valley Regional Finance Authority (the "DVRFA"). In order to provide funds for loans (the "Loan Program"), the DVRFA has issued Local Government Revenue Bonds (the "DVRFA Bonds"). The DVRFA has entered into an interest rate swap agreement (the "DVRFA Swap Agreement") with Merrill Lynch Capital Services, Inc. ("MLCS"), secured by a guaranty of Merrill Lynch & Co. ("Merrill Lynch"), in order to reduce the costs of participants in the Loan Program and to enhance the ability of participants to manage their interest rate risks. The DVRFA Swap Agreement is a "Qualified Interest Rate Management Agreement" as such term is defined in the Pennsylvania *Local Government Unit Debt Act*. All of the transactions under the MLCS Swap Agreement were novated during 2009 to Bank of America, N.A. ("BANA"), which acquired Merrill Lynch. The payment of debt service of the DVRFA Bonds is secured by municipal bond insurance policies issued by Ambac Assurance Corporation ("Ambac").

Under the terms of the loan agreements, the interest payments due from the Borough are calculated to fund:

1. The debt service payments on the DVRFA Bonds,
2. The net payments due under the DVRFA Swap Agreement, and
3. All other costs and expenses necessary for the operation of the Loan Program, amounts required to maintain the liquidity of the Loan Program and any termination payment (the "Termination Payment") due under the DVRFA Swap Agreement.

NOTE I - LONG-TERM DEBT (Continued)

Interest Rate Risk: The Borough has the option under the loan agreements to pay a variable rate of interest or a fixed rate. If the Borough elects the variable rate, the interest rate, based upon the Securities Industry and Financial Markets Association index (the "SIFMA Index"), adjusts weekly with a maximum interest rate to the Borough of 15%. If the Borough elects a fixed rate, the rate, with terms and conditions selected by the Borough, would be set based upon the fixed rate swap market at that time with a new confirm executed by DVRFA with BANA under the DVRFA Swap Agreement. The Borough has the option to convert all or a portion of the variable interest notes to a fixed rate at any time to mitigate the exposure to rising short-term interest rates.

Since the Borough is not considered to be a signatory on the current interest rate swap agreements between DVRFA and Bank of America, management has concluded that the Borough would not be required to report the transaction in accordance with Governmental Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. Therefore, the fair value of the interest rate swap agreements is not recorded on the statement of net position. In addition, no evaluation has been made to whether the interest rate swaps are effective cash flow hedges.

Basic Risk: The Series 2003B Note does not entail a basic risk.

Credit Risk: Rating downgrades by Moody's and Standard & Poor's ("S&P") can precipitate collateralization requirements under the DVRFA Swap Agreement. The failure to post collateral when it is required constitutes an event of default under the DVRFA Swap Agreement and may result in termination.

- If the long-term, unsecured, senior debt ratings of BANA are reduced below "A2" by Moody's or "A" by S&P and if DVRFA would receive a payment from BANA upon termination, BANA is required to post collateral equal to market value of each of the swap agreements executed with DVRFA. BANA's current ratings are "Aa3/A+," with stable outlooks by Moody's and S&P, respectively.

Ratings downgrades below investment grade may result in termination. If the long-term, unsecured, senior debt ratings of BANA are downgraded below "Baa3" by Moody's and "BBB-" by S&P, DVRFA may terminate the swap agreements executed by BANA. If (i) the claims paying ability ratings of Ambac are reduced below "Baa3" by Moody's or "BBB-" by S&P and (ii) DVRFA has defaulted or DVRFA does not have published ratings of at least "Baa3" by Moody's and "BBB-" by S&P, BANA may terminate the DVRFA Swap Agreements.

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE I - LONG-TERM DEBT (Continued)

Termination Risk: The Borough is obligated to pay a Termination Payment associated with the portion of the DVRFA Swap Agreement allocable to the applicable note. A Termination Payment may be incurred due to the termination of all or a portion of the DVRFA Swap Agreement with the mutual consent of DVRFA, BANA, Ambac and the Borough. The termination payments could be triggered in the event of (i) a payment default by the Borough under the Loan Agreement, (ii) a payment default by DVRFA, BANA, or Ambac under the DVRFA Swap Agreement, (iii) the occurrence of events that may precipitate a payment default by DVRFA, BANA, or Ambac, or (iv) the downgrading of the claims paying ability of Ambac or long-term, unsecured, senior debt rating of DVRFA or BANA. In all instances of termination except a payment default on the note converted to a fixed rate, DVRFA would seek to replace the DVRFA Swap Agreement with a new interest rate swap agreement with similar terms and conditions.

The amount of the Termination Payment is determined by the market value of the DVRFA Swap Agreement; therefore, the cost or income of the replacement swap should offset the cost or income from the Termination Payment. DVRFA may not be able to secure the replacement interest rate swap if the swap market is not functioning normally or if DVRFA does not have access to the swap market.

The estimated Termination Payment (i.e. the market value) for the DVRFA Swap Agreement allocable to the Borough's 2003B Note as of December 31, 2021, is shown in the table below. In the event of a Termination Payment, DVRFA would assess the net loss, if any, to the Borough. Any net gain on the Termination Payment allocable to variable rate Notes would be retained by DVRFA.

<u>Description</u>	<u>Date of Issuance</u>	<u>Maturity Date</u>	<u>Principal Outstanding Notional Amount</u>	<u>Type of Note</u>	<u>Gain (Loss) (1)</u>
2003B Note	September 8, 2003	June 25, 2023	\$ <u>536,000</u>	Variable	\$ <u>58,256</u>

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE I - LONG-TERM DEBT (Continued)

The following is a summary of changes in long-term debt for the year ended December 31, 2021.

	Balance January 1, 2021	Additions	Reductions	Balance December 31, 2021	Amount Due Within One Year
GOVERNMENTAL ACTIVITIES					
Notes payable					
G.O. Note Series B of 2003	\$ 585,460	\$ -	\$ (194,180)	\$ 391,280	\$ 194,910
G.O. Note Series of 2020	1,820,000	-	(61,000)	1,759,000	61,500
G.O. Note Series of 2021	-	1,955,000	-	1,955,000	23,000
Capital leases	39,912	-	(12,719)	27,193	13,295
Net pension liability	35,999	-	(35,999)	-	-
	<u>2,481,371</u>	<u>1,955,000</u>	<u>(303,898)</u>	<u>4,132,473</u>	<u>292,705</u>
Governmental Activity Long-Term Liabilities	\$ 2,481,371	\$ 1,955,000	\$ (303,898)	\$ 4,132,473	\$ 292,705
BUSINESS-TYPE ACTIVITIES					
Notes payable					
G.O. Note Series B of 2003	\$ 216,540	\$ -	\$ (71,820)	\$ 144,720	\$ 72,090
G.O. Note Series of 2020	1,820,000	-	(61,000)	1,759,000	61,500
Net pension liability	35,999	-	(35,999)	-	-
	<u>2,072,539</u>	<u>-</u>	<u>(168,819)</u>	<u>1,903,720</u>	<u>133,590</u>
Business-Type Activities Long-Term Liabilities	\$ 2,072,539	\$ -	\$ (168,819)	\$ 1,903,720	\$ 133,590

The annual debt service requirements as of December 31, 2021, to retire the general obligation note, Series B of 2003, is as follows:

Year Ending December 31,	Principal	Interest at 1.03%	Maximum Interest at 15%
2022	\$ 267,000	\$ 8,261	\$ 81,600
2023	269,000	5,511	41,550
	<u>\$ 536,000</u>	<u>\$ 16,511</u>	<u>\$ 123,150</u>

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE I - LONG-TERM DEBT (Continued)

The annual debt service requirements as of December 31, 2021, to retire the 2020 general obligation note, is as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest at .873%</u>
2022	\$ 123,000	\$ 30,400
2023	124,000	29,309
2024	396,000	26,770
2025	400,000	23,253
2026	403,000	19,707
2027 to 2031	<u>2,072,000</u>	<u>44,191</u>
	<u>\$ 3,518,000</u>	<u>\$ 173,630</u>

The annual debt service requirements as of December 31, 2021, to retire the 2021 general obligation note, is as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest at 1.0% to 2.0%</u>
2022	\$ 23,000	\$ 21,429
2023	89,000	22,358
2024	91,000	24,737
2025	92,000	26,759
2026	93,000	28,426
2027 to 2031	487,000	127,258
2032 to 2036	520,000	80,983
2037 to 2041	<u>560,000</u>	<u>31,365</u>
	<u>\$ 1,955,000</u>	<u>\$ 363,315</u>

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE J - DEFINED BENEFIT PENSION PLAN

Plan Administration

The Borough of Hatfield Non-Uniformed Pension Plan is a single employer defined benefit pension plan covering the full-time employees. The Plan was established effective January 1, 1970 and was restated by Ordinance No. 425 on November 21, 2001. The Plan is governed by Borough Council. Borough Council has delegated the authority to manage Plan assets to Univest Trust Company.

Plan Membership - Membership of the plans consisted of the following at December 31, 2021:

	<u>Non-Uniform Pension</u>
Inactive plan members currently receiving benefits	8
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	<u>6</u>
	<u><u>14</u></u>

Benefit Provisions - The plans provide retirement, disability and death benefits to plan members and their beneficiaries. Cost-of-living allowances are provided at the discretion of the plan. The authority to establish and amend benefit provisions rests with the Borough Council.

NOTE J - DEFINED BENEFIT PENSION PLAN (Continued)

Summary of Significant Accounting Policies

Basis of Accounting - The Plan's financial statements are prepared using the accrual basis of accounting. Employer contributions to the Plan are recognized when due, in accordance with Act 205, as amended by Act 189. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Use of 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 amounts of revenue and expenses during the reporting period. Actual results could differ from other estimates.

Method Used to Value Investments - The Borough categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are those that lack significant observable inputs. The Borough had the following Level 1 inputs as of December 31, 2021:

Investments in domestic equity mutual funds of \$2,283,751, international equity mutual funds of \$196,290 and real estate mutual funds of \$33,317.

Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date. For the purposes of measuring the net pension liability, deferred outflows of resources related to pensions, pension expense and information about the fiduciary net position have been determined in the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms.

Administrative Expenses - Investment expenses consist of investment management, custodial fees and other significant investment related costs. Administrative expenses consist of consulting, actuarial, legal and accounting services, along with any other significant Plan related costs. The above expenses are allowable pension plan expenditures in accordance with Act 205 and may be funded with Plan assets.

Risks and Uncertainties - The Plan provides for investment in a variety of investment funds. In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of plan net position.

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE J - DEFINED BENEFIT PENSION PLAN (Continued)

Funding Policy and Contributions

Act 205 of 1984, the Municipal Pension Plan Funding Standard and Recovery Act, initiated actuarial funding requirements for municipal pension plans. Under Act 205 provisions, a municipal budget must provide for the full payment of the Minimum Municipal Obligation (MMO) to each employee pension fund of the municipality. Act 189 of 1990 amended Act 205 and redefined the calculation used to determine the MMO to employee pension funds. The MMO is now defined as the total financial requirements to the pension fund, less funding adjustments and estimated member contributions. Funding policy of participation, full-time employees are not required to contribute to the Plan.

The Plan may also be eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program, which must be used for pension funding. The State contributed \$47,973 to the Borough for contribution to the defined benefit pension plan for the year ended December 31, 2021. Any funding requirements established by the MMO in excess of employee contributions and state aid must be paid by the municipality in accordance with Act 205. Administrative costs, including the investment manager, custodial trustee and actuarial services, are charged to the Plan and funded through investment earnings.

The Borough's contributions for the Plan for the years ended December 31, 2021 totaled \$144,144.

Cash and Cash Equivalents

Custodial credit risk is the risk that in the event of bank failure, the Borough's deposits may not be returned to it. The Borough does not have a deposit policy for custodial credit risk. The law provides that the Borough's Pension Trust funds may invest in any form or type of investment, financial instrument, or financial transaction if determined by the Borough to be prudent. As of December 31, 2021, the Borough's pension cash and cash equivalents were not exposed to custodial credit risk since the balance is covered by FDIC insurance.

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE J - DEFINED BENEFIT PENSION PLAN (Continued)

Changes in the Net Pension Liability (Asset)

	Governmental Activities		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
BALANCE AT DECEMBER 31, 2020	\$ 974,510	\$ 938,511	\$ 35,999
Changes for the year			
Service cost	15,417	-	15,417
Interest	71,595	-	71,595
Changes in benefit terms	(54,201)	-	(54,201)
Differences between expected and actual experience	(10,395)	-	(10,395)
Changes of assumptions	93,902	-	93,902
Contributions			
Employer	-	48,086	(48,086)
State aid	-	23,987	(23,987)
Net investment income	-	138,086	(138,086)
Benefit payments	(63,431)	(63,431)	-
NET CHANGES	52,888	146,728	(93,840)
BALANCE AT DECEMBER 31, 2021	\$ 1,027,398	\$ 1,085,239	\$ (57,841)
	Business-Type Activities		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
BALANCE AT DECEMBER 31, 2020	\$ 974,509	\$ 938,510	\$ 35,999
Changes for the year			
Service cost	15,417	-	15,417
Interest	71,595	-	71,595
Changes in benefit terms	(54,201)	-	(54,201)
Differences between expected and actual experience	(10,395)	-	(10,395)
Changes of assumptions	93,902	-	93,902
Contributions			
Employer	-	48,086	(48,086)
State aid	-	23,986	(23,986)
Net investment income	-	138,086	(138,086)
Benefit payments	(63,431)	(63,431)	-
NET CHANGES	52,887	146,727	(93,840)
BALANCE AT DECEMBER 31, 2021	\$ 1,027,396	\$ 1,085,237	\$ (57,841)

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE J - DEFINED BENEFIT PENSION PLAN (Continued)

Investment Concentration

Concentration of credit risk is the risk of loss attributable to the magnitude of a Plan's investment in a single issuer. Investments issued or explicitly guaranteed by U.S. government and investments in mutual funds external investment pools and other pooled investments are excluded from this requirement. The Plan does not have a formal investment policy that addresses concentration of credit risk. Total Plan net position as of December 31, 2021, amounted to \$2,170,476. Five percent of total Plan net position amounted to \$108,524.

No investment was greater than 5% of total plan net position at December 31, 2021.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2021, using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	2.25%
Salary increases	5.00%
Investment rate of return	7.25%

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

For the year ended December 31, 2021, the Borough recognized pension expense of negative (65,773). At December 31, 2021, the Borough reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Government Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 7,611
Changes in assumptions	63,997	-
Net difference between projected and actual earnings on pension plan investments	-	92,634
	<u>\$ 63,997</u>	<u>\$ 100,245</u>
	Business-Type Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 7,611
Changes in assumptions	63,997	-
Net difference between projected and actual earnings on pension plan investments	-	92,635
	<u>\$ 63,997</u>	<u>\$ 100,246</u>

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE J - DEFINED BENEFIT PENSION PLAN (Continued)

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

Year Ending December 31,	Governmental Activities	Business-Type Activities
2022	\$ 8,856	\$ 8,856
2023	(13,230)	(13,230)
2024	(17,668)	(17,668)
2025	(14,206)	(14,207)

Investment Policy

The Plan's investment policy in regard to the allocation of invested assets is established and may be amended by Borough Council. The objective of the investment strategy is to reduce risk while maximizing returns through the prudent diversification of the portfolio in order to maintain a fully funded status and meet the benefit and expense obligations when due. The Plan's formal Investment Policy Statement, which is revised periodically, provides more comprehensive details on investment strategy and authorized investments.

The long-term expected rate of return on the Plan's investments was determined using an asset allocation study conducted by the Plan's investment management consultant in December 2021 in which best-estimate ranges of expected future real rates of return (net of pension plan investment expenses and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best-estimate or arithmetic real rates of return for each major asset class are included in the Plan's target asset allocation as of December 31, 2021, listed in the table below.

Asset Class	Target
Domestic equity	59.0%
International equity	12.0%
Fixed income	22.0%
Real estate	4.0%
Cash and cash equivalents	3.0%
Total net blended return	
excluding 2.5% for inflation	4.8%
Long term expected rate	
of return including inflation	7.3%

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE J - DEFINED BENEFIT PENSION PLAN (Continued)

Net Pension Liability (Asset)

The net pension liability (asset) of the plan for measurement date December 31, 2021, was as follows:

	Defined Benefit Pension Plan
Total pension liability	\$ 2,054,794
Plan fiduciary net position	<u>2,170,476</u>
NET PENSION ASSET	<u>\$ (115,682)</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>105.63%</u>

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed the contributions will be made at the current contribution rate and that municipal contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) calculated using the discount rate of 7.25%, as well as what the Plan's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability (asset)	\$ <u>54,325</u>	\$ <u>(115,682)</u>	\$ <u>(264,077)</u>

Rate of Return on Investments

For the year ended December 31, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 14.71%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE K - DEFINED CONTRIBUTION PLAN

The Hatfield Borough non-uniform contribution pension plan is a single employer defined contribution plan covering the Borough's full-time non-uniformed employees. The Plan is controlled by the provisions of Ordinance No. 426. Plan provisions are established or amended by Borough Council resolution. The Borough is required to contribute into the Plan for each eligible participant an amount equal to 3.0% of their total compensation (6% for the Borough Manager). For the year ended December 31, 2021, actual contributions by the Borough was \$26,683. There was no state aid for the Plan in 2021. Participants vest at participation and are entitled to 100% of vested contributions.

The Borough categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are those that lack significant observable inputs. The Borough's investments in mutual funds of \$374,430 as of December 31, 2021 are valued using Level 1 inputs.

NOTE L - CONTINGENT LIABILITIES

The Borough may participate in federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The Borough is potentially liable for any expenditure which may be disallowed pursuant to the terms of these grant programs.

Management believes that any liability that may result from the resolution of these matters will not have a material adverse effect on the accompanying financial statements and, accordingly, no provision has been recorded.

NOTE M - SIGNIFICANT GROUP CONCENTRATIONS OF CREDIT RISK

The Borough's operations are located in Hatfield, Pennsylvania. Its service area is located within the geographic bounds of the Borough. The Borough assesses taxpayers, within its service area, based upon taxing powers at its disposal. The ability of each of the Borough's residents to honor their obligations to the Borough is dependent upon economic and other factors affecting the residents.

The Enterprise Funds are located and services customers in the Borough of Hatfield, Pennsylvania. These funds grant credit to its customers in the normal course of business. The ability of each of the customers to honor their obligation is dependent upon economic and other factors unique to this geographic region.

BOROUGH OF HATFIELD

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2021

NOTE N - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Balance

At December 31, 2021, the Capital Project Fund had a deficit of \$107,540 and the Fire Fund had a deficit fund balance of \$60,086. The Capital Project Fund deficit is expected to be eliminated through future transfers and the Fire Fund deficit is expected to be eliminated through future real estate taxes earned.

NOTE O - COMMITMENTS

In July 2007, the Borough entered into a contract for the purchase of electric service over an 18-year period. The contract is for the period beginning September 2007 through August 2025. The amounts are based on the power and energy usage by the Borough.

In January 2013, the Borough entered into a contract for the purchase of power services over a five-year period. The contract is for the period beginning February 2013 through January 2018. In May 2015, the original contract was amended, and the contract period was extended through December 2032. The amounts are based on the power and energy usage by the Borough.

REQUIRED SUPPLEMENTARY INFORMATION

BOROUGH OF HATFIELD
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2021

	Budgeted Amounts (GAAP)			Over (Under)
	Original	Final	Actual	Budget
REVENUES				
Taxes	\$ 747,535	\$ 747,535	\$ 822,412	\$ 74,877
Licenses and permits	96,740	96,740	93,255	(3,485)
Fines, forfeits and costs	1,912	1,912	2,055	143
Interest on investments	-	-	204	204
Intergovernmental revenues	63,995	63,995	47,973	(16,022)
Charges for services	56,705	56,705	62,297	5,592
Miscellaneous	44,637	44,637	55,375	10,738
TOTAL REVENUES	<u>1,011,524</u>	<u>1,011,524</u>	<u>1,083,571</u>	<u>72,047</u>
EXPENDITURES				
General	620,357	620,357	621,509	1,152
Protection to persons and property	1,007,079	1,007,079	990,201	(16,878)
Sanitation	7,114	7,114	9,209	2,095
Highways	230,979	230,979	189,656	(41,323)
Recreation	50,790	50,790	72,173	21,383
TOTAL EXPENDITURES	<u>1,916,319</u>	<u>1,916,319</u>	<u>1,882,748</u>	<u>(33,571)</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES				
	<u>(904,795)</u>	<u>(904,795)</u>	<u>(799,177)</u>	<u>105,618</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	925,000	925,000	2,318,082	1,393,082
Transfers out	-	-	(1,775,836)	(1,775,836)
TOTAL OTHER FINANCING SOURCES (USES)	<u>925,000</u>	<u>925,000</u>	<u>542,246</u>	<u>(382,754)</u>
NET CHANGE IN FUND BALANCE				
	<u>\$ 20,205</u>	<u>\$ 20,205</u>	<u>\$ (256,931)</u>	<u>\$ (277,136)</u>

See accompanying note to the budgetary comparison schedule.

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BOROUGH OF HATFIELD

NOTE TO THE BUDGETARY COMPARISON SCHEDULE

DECEMBER 31, 2021

NOTE A - EXCESS OF EXPENDITURES OVER APPROPRIATION

For the year ended December 31, 2021, expenditures exceeded appropriations in the following General Fund object levels (the legal level of budgetary control):

General	\$	1,152
Sanitation		2,095
Recreation		21,383

BOROUGH OF HATFIELD
SCHEDULE OF CHANGES IN NET PENSION
LIABILITY AND RELATED RATIOS
LAST EIGHT FISCAL YEARS

	2021	2020	2019	2018
TOTAL PENSION LIABILITY				
Service cost	\$ 30,834	\$ 67,265	\$ 64,062	\$ 63,935
Interest	143,190	148,706	141,376	135,173
Changes of benefit terms	(108,401)	-	-	-
Differences between expected and actual experience	(20,790)	-	(4,683)	-
Changes of assumptions	187,804	-	-	-
Benefit payments	(126,861)	(117,019)	(117,019)	(117,019)
NET CHANGE IN TOTAL PENSION LIABILITY	105,776	98,952	83,736	82,089
Total pension liability, beginning	1,949,018	1,850,066	1,766,330	1,684,241
TOTAL PENSION LIABILITY, ENDING (a)	\$ 2,054,794	\$ 1,949,018	\$ 1,850,066	\$ 1,766,330
PLAN FIDUCIARY NET POSITION				
Contributions				
Employer	\$ 96,171	\$ 93,691	\$ 90,727	\$ 94,044
State aid	47,973	49,238	51,205	46,844
Net investment income	276,172	201,947	289,289	(113,975)
Benefit payments, including refunds of member contributions	(126,861)	(117,019)	(117,019)	(117,019)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	293,455	227,857	314,202	(90,106)
Plan fiduciary net position, beginning	1,877,021	1,649,164	1,334,962	1,425,068
PLAN FIDUCIARY NET POSITION, ENDING (b)	\$ 2,170,476	\$ 1,877,021	\$ 1,649,164	\$ 1,334,962
NET PENSION LIABILITY, ENDING (a)-(b)	\$ (115,682)	\$ 71,997	\$ 200,902	\$ 431,368
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	105.6%	96.3%	89.1%	75.6%
COVERED PAYROLL	\$ 468,274	\$ 460,036	\$ 447,174	\$ 440,066
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	-24.7%	15.7%	44.9%	98.0%

NOTES TO SCHEDULE

Assumption Changes - In 2015, the mortality assumption was changed from the RP-2000 Table to the RP-2000 Table projected to 2015 using Scale AA. In 2017, the mortality assumption was changed from the RP-2000 Table projected to 2015 to the RP-2000 Table projected to 2017 using Scale AA. In 2021, the interest rate assumption was lowered from 8.0% to 7.25% per annum and the mortality assumption was changed from the RP-2000 Table projected to 2017 using Scale AA to the PubG-2010 projected 5 years past 2021 valuation date using Scale MP-2020.

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 60,890	\$ 61,470	\$ 58,543	\$ 52,569
129,093	125,067	119,897	111,404
-	-	-	-
(23,840)	-	16,149	-
5,224	-	36,253	-
<u>(117,019)</u>	<u>(117,019)</u>	<u>(116,459)</u>	<u>(115,900)</u>
54,348	69,518	114,383	48,073
<u>1,629,893</u>	<u>1,560,375</u>	<u>1,445,992</u>	<u>1,397,919</u>
<u>\$ 1,684,241</u>	<u>\$ 1,629,893</u>	<u>\$ 1,560,375</u>	<u>\$ 1,445,992</u>
\$ 71,154	\$ 72,992	\$ 71,640	\$ 73,626
41,294	39,372	31,367	34,854
158,043	70,955	(26,314)	68,086
<u>(117,019)</u>	<u>(117,019)</u>	<u>(116,459)</u>	<u>(115,900)</u>
153,472	66,300	(39,766)	60,666
<u>1,271,596</u>	<u>1,205,296</u>	<u>1,245,062</u>	<u>1,184,396</u>
<u>\$ 1,425,068</u>	<u>\$ 1,271,596</u>	<u>\$ 1,205,296</u>	<u>\$ 1,245,062</u>
<u>\$ 259,173</u>	<u>\$ 358,297</u>	<u>\$ 355,079</u>	<u>\$ 200,930</u>
<u>84.6%</u>	<u>78.0%</u>	<u>77.2%</u>	<u>86.1%</u>
<u>\$ 430,152</u>	<u>\$ 429,572</u>	<u>\$ 398,802</u>	<u>\$ 444,756</u>
<u>60.3%</u>	<u>83.4%</u>	<u>89.0%</u>	<u>45.2%</u>

BOROUGH OF HATFIELD

SCHEDULE OF PENSION CONTRIBUTIONS

LAST EIGHT FISCAL YEARS

	2021	2020	2019	2018
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 144,144	\$ 142,929	\$ 141,932	\$ 140,888
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	144,144	142,929	141,932	140,888
CONTRIBUTION (EXCESS) DEFICIENCY	\$ -	\$ -	\$ -	\$ -
COVERED PAYROLL	\$ 468,274	\$ 460,036	\$ 447,174	\$ 440,066
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	30.78%	31.07%	31.74%	32.02%

NOTES TO SCHEDULE

Valuation date: January 1, 2021 January 1, 2019

Actuarially determined contribution rates are calculated by September 30 of each year for the upcoming calendar year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age	Entry age
Amortization method	Level dollar	Level dollar
Remaining amortization period	13 years	8 years
Asset valuation method	Market value	Market value
Inflation	2.25%	2.25%
Salary increases	5.00%	5.00%
Investment rate of return	7.25%	8.00%
Retirement age	62	62
Mortality	PubG-2010 Mortality projected 5 years past the valuation date	RP-2000 Table projected to 2017

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 112,448	\$ 112,364	\$ 103,007	\$ 108,480
<u>112,448</u>	<u>112,364</u>	<u>103,007</u>	<u>108,480</u>
\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
\$ <u>430,152</u>	\$ <u>429,572</u>	\$ <u>398,802</u>	\$ <u>444,756</u>
<u>26.14%</u>	<u>26.16%</u>	<u>25.83%</u>	<u>24.39%</u>

January 1, 2017

January 1, 2015

Entry age
Level dollar
7 years
Market value
2.25%
5.00%
8.00%
62
RP-2000 Table projected
to 2017

Entry age
Level dollar
7 years
Market value
2.25%
5.00%
8.00%
62
RP-2000 Table projected
to 2015

BOROUGH OF HATFIELD
SCHEDULE OF PENSION INVESTMENT RETURNS
LAST EIGHT FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>14.71%</u>	<u>12.25%</u>	<u>21.67%</u>	<u>-8.00%</u>

NOTE TO SCHEDULE

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u><u>12.43%</u></u>	<u><u>5.89%</u></u>	<u><u>-2.18%</u></u>	<u><u>6.04%</u></u>

SUPPLEMENTARY INFORMATION SECTION

BOROUGH OF HATFIELD
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2021

	Nonmajor Special Revenue Funds		
	Fire Fund	Highway Aid Fund	Totals
ASSETS			
Cash and cash equivalents	\$ -	\$ 131,400	\$ 131,400
Accounts receivable	3,534	-	3,534
TOTAL ASSETS	<u>\$ 3,534</u>	<u>\$ 131,400</u>	<u>\$ 134,934</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ 571	\$ 571
Due to other funds	63,620	-	63,620
TOTAL LIABILITIES	<u>63,620</u>	<u>571</u>	<u>64,191</u>
FUND BALANCES			
Restricted	-	130,829	130,829
Unassigned	(60,086)	-	(60,086)
TOTAL FUND BALANCES	<u>(60,086)</u>	<u>130,829</u>	<u>70,743</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,534</u>	<u>\$ 131,400</u>	<u>\$ 134,934</u>

BOROUGH OF HATFIELD**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021**

	Nonmajor Special Revenue Funds		
	Fire Fund	Highway Aid Fund	Totals
REVENUES			
Taxes	\$ 49,724	\$ -	\$ 49,724
State motor vehicle fuel tax	-	79,870	79,870
Interest on investments	-	149	149
TOTAL REVENUES	<u>49,724</u>	<u>80,019</u>	<u>129,743</u>
EXPENDITURES			
Fire	53,667	-	53,667
Highway	-	206,221	206,221
Debt service	-	14,527	14,527
TOTAL EXPENDITURES	<u>53,667</u>	<u>220,748</u>	<u>274,415</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(3,943)	(140,729)	(144,672)
FUND BALANCES AT BEGINNING OF YEAR	<u>(56,143)</u>	<u>271,558</u>	<u>215,415</u>
FUND BALANCES AT END OF YEAR	\$ <u><u>(60,086)</u></u>	\$ <u><u>130,829</u></u>	\$ <u><u>70,743</u></u>

BOROUGH OF HATFIELD

COMBINING SCHEDULE OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

DECEMBER 31, 2021

	Pension Trust Funds		
	Defined Benefit	Defined Contribution	Totals
ASSETS			
Cash and cash equivalents	\$ 31,548	\$ 3,743	\$ 35,291
Investments			
Mutual funds, at fair value	2,138,928	374,430	2,513,358
Municipal contribution receivable	-	9,043	9,043
TOTAL ASSETS	<u>\$ 2,170,476</u>	<u>\$ 387,216</u>	<u>\$ 2,557,692</u>
NET POSITION			
Restricted for pensions	<u>\$ 2,170,476</u>	<u>\$ 387,216</u>	<u>\$ 2,557,692</u>

BOROUGH OF HATFIELD**COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION****FIDUCIARY FUNDS****YEAR ENDED DECEMBER 31, 2021**

	Pension Trust Funds		
	Defined Benefit	Defined Contribution	Totals
ADDITIONS			
Contributions			
Commonwealth	\$ 47,973	\$ -	\$ 47,973
Employer	96,171	26,683	122,854
TOTAL CONTRIBUTIONS	144,144	26,683	170,827
Investment earnings			
Net increase in fair value of investments	151,265	26,419	177,684
Interest and dividends	124,906	7,451	132,357
NET INVESTMENT EARNINGS	276,171	33,870	310,041
DEDUCTIONS			
Benefits	126,860	43,146	170,006
CHANGE IN NET POSITION	293,455	17,407	310,862
NET POSITION AT BEGINNING OF YEAR	1,877,021	369,809	2,246,830
NET POSITION AT END OF YEAR	\$ 2,170,476	\$ 387,216	\$ 2,557,692