

BOROUGH OF HATFIELD

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Year Ended December 31, 2022

INTRODUCTORY SECTION

BOROUGH OF HATFIELD
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2022

	Page
Introductory Section	
Table of Contents	1
Financial Section	
Independent Auditors' Report	3
Management's Discussion and Analysis (Unaudited)	6
Basic Financial Statements	
<i>Government-Wide Financial Statements</i>	
Statement of Net Position	11
Statement of Activities	12
<i>Fund Financial Statements</i>	
<i>Governmental Funds</i>	
Balance Sheet	13
Reconciliation of Total Governmental Funds Balances to Net Position of Governmental Activities	14
Statement of Revenues, Expenditures and Changes in Fund Balances	15
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	16
<i>Proprietary Funds</i>	
Statement of Net Position	17
Statement of Revenues, Expenses and Changes in Net Position	18
Statement of Cash Flows	19
<i>Fiduciary Funds</i>	
Statement of Fiduciary Net Position	21
Statement of Changes in Fiduciary Net Position	22
Notes to the Basic Financial Statements	23

BOROUGH OF HATFIELD
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2022

	Page
Required Supplementary Information	
Budgetary Comparison Schedule, General Fund	47
Note to the Budgetary Comparison Schedule	48
Schedule of Changes in Net Pension Liability and Related Ratios	49
Schedule of Pension Contributions	50
Schedule of Pension Investment Returns	51
Supplementary Information Section	
<i>Nonmajor Governmental Funds</i>	
Combining Balance Sheet	52
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	53
<i>Fiduciary Funds (Pension Trust Funds)</i>	
Combining Schedule of Fiduciary Net Position	54
Combining Schedule of Changes in Fiduciary Net Position	55

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, 2022, 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, 2022, 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.

Emphasis of Matter

As disclosed in Note Q, for the year ended December 31, 2022, the Borough of Hatfield adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

To the Borough Council
Borough of Hatfield
Hatfield, Pennsylvania

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 47 and 48, and the pension schedules on pages 49 through 51 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.

To the Borough Council
Borough of Hatfield
Hatfield, Pennsylvania

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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.



Limerick, Pennsylvania
August 31, 2023

BOROUGH OF HATFIELD

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2022

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, 2022.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2022 include the following:

- The assets of the Borough of Hatfield exceeded its liabilities at December 31, 2022, by \$11,777,401 (net position). Of this amount, \$3,919,172 (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 \$91,759.

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, 2022

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 \$11,777,401 on December 31, 2022. (See Table A-1)

Table A-1
The Borough's Net Position

	Governmental Activities	Business-Type Activities	2022 Totals	2021 Totals
ASSETS				
Current and other assets	\$ 3,547,264	\$ 2,888,836	\$ 6,436,100	\$ 5,776,195
Capital and non-current assets	8,849,034	3,839,619	12,688,653	13,247,658
TOTAL ASSETS	<u>12,396,298</u>	<u>6,728,455</u>	<u>19,124,753</u>	<u>19,023,853</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources, pension activity	173,379	173,379	346,758	127,994
LIABILITIES				
Current liabilities	861,760	723,140	1,584,900	1,046,003
Long-term liabilities	3,677,278	1,834,277	5,511,555	6,036,193
TOTAL LIABILITIES	<u>4,539,038</u>	<u>2,557,417</u>	<u>7,096,455</u>	<u>7,082,196</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources, pension and lease activity	593,881	3,774	597,655	200,491
NET POSITION				
Net investment in capital assets	5,762,977	2,069,489	7,832,466	8,060,107
Restricted	25,763	-	25,763	130,829
Unrestricted	1,648,018	2,271,154	3,919,172	3,678,224
TOTAL NET POSITION	<u>\$ 7,436,758</u>	<u>\$ 4,340,643</u>	<u>\$ 11,777,401</u>	<u>\$ 11,869,160</u>

BOROUGH OF HATFIELD
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2022

Changes in Net Position

The entity-wide total revenues were \$6,081,225 for the year ended December 31, 2022. Earned income taxes and property taxes accounted for 14% of total revenue for the year. (See Table A-2)

Table A-2
Change in Net Position

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>2022 Totals</u>	<u>2021 Totals</u>
REVENUES				
Program revenues				
Charges for services	\$ 167,901	\$ 4,454,660	\$ 4,622,561	\$ 4,572,969
Operating grants	453,382	-	453,382	170,407
General revenues				
Property tax	431,658	-	431,658	305,656
Deed transfer tax	92,767	-	92,767	70,169
Earned income tax	544,503	-	544,503	480,990
Alcoholic beverage tax	600	-	600	-
Investment earnings	4,321	(233,782)	(229,461)	27,018
Other	165,215	-	165,215	57,938
Transfers	294,268	(294,268)	-	-
TOTAL REVENUES	<u>2,154,615</u>	<u>3,926,610</u>	<u>6,081,225</u>	<u>5,685,147</u>
EXPENSES				
General government	622,552	-	622,552	532,551
Protection to persons and public	1,057,750	-	1,057,750	1,043,868
Sanitation	5,903	-	5,903	9,209
Sewer and electric	-	3,884,385	3,884,385	3,373,055
Highways	115,841	-	115,841	359,439
Recreation	48,855	-	48,855	72,173
Depreciation and amortization	388,799	-	388,799	336,304
Interest	48,899	-	48,899	42,350
TOTAL EXPENSES	<u>2,288,599</u>	<u>3,884,385</u>	<u>6,172,984</u>	<u>5,768,949</u>
CHANGE IN NET POSITION	(133,984)	42,225	(91,759)	(83,802)
Beginning net position	<u>7,570,742</u>	<u>4,298,418</u>	<u>11,869,160</u>	<u>11,952,962</u>
Ending net position	<u>\$ 7,436,758</u>	<u>\$ 4,340,643</u>	<u>\$ 11,777,401</u>	<u>\$ 11,869,160</u>

Total expenses exceeded revenues, decreasing net position \$91,759 from last year.

FINANCIAL ANALYSIS OF THE BOROUGH AT THE FUND LEVEL

General Fund Budgetary Highlights (See Page 47 for Detailed Schedule)

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

- Actual revenues were \$471,967 higher than budgeted.
- The actual expenditures were \$53,433 lower than budgeted.

BOROUGH OF HATFIELD

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2022

Construction Projects and Debt Service

Council approved budget for 2022 allocates \$9,688,074 in Revenues with Expenditures of \$9,426,376 in all 10 funds of the budget. The primary focus of Borough Council, Staff, and Consultants in 2022 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. In 2022, Hatfield Council and Staff were committed to planning and funding all community events that took place prior to the COVID-19 pandemic and those that they initiated during the pandemic. 2022 was a very successful year for the Borough with the return of all the events, especially the Car Show and Fall Fest which brought over 2,000 people into the Borough.

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 on Main Street in the Borough.

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 2022 the Borough awarded contracts with several contractors through the public bidding process for concrete and paving projects. Much of the work for these projects was completed in 2022 with minor outstanding punch list items to be completed in 2023.

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, 2022

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 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 and 2022 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 2022, the Borough Council adopted a policy for live-streaming all council meetings.

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, 2022

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 1,461,853	\$ 443,084	\$ 1,904,937
Investments	-	2,592,275	2,592,275
Taxes receivable	123,795	-	123,795
Accounts receivable	13,420	394,459	407,879
Internal balances	540,982	(540,982)	-
Restricted assets			
Escrow deposits	46,111	-	46,111
Lease Receivable	607,392	-	607,392
Capital assets not being depreciated			
Land	753,711	-	753,711
Capital assets being depreciated, net			
Building and other improvements	4,110,672	66,084	4,176,756
Machinery, vehicles, furniture and equipment	236,794	158,888	395,682
Infrastructure	4,501,568	3,614,647	8,116,215
TOTAL ASSETS	12,396,298	6,728,455	19,124,753
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources, pension activity	173,379	173,379	346,758
LIABILITIES			
Accounts payable	28,590	372,165	400,755
Accrued expenses	74,506	16,123	90,629
Unearned revenue	348,785	-	348,785
Due to other government	2,500	-	2,500
Escrows payable	46,111	200,222	246,333
Long-term liabilities			
Portion due or payable within one year			
Financed purchase	13,898	-	13,898
Loans payable	347,370	134,630	482,000
Portion due or payable after one year			
Net pension liability	198,778	198,777	397,555
Loans payable	3,478,500	1,635,500	5,114,000
TOTAL LIABILITIES	4,539,038	2,557,417	7,096,455
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources, lease activity	590,108	-	590,108
Deferred inflows of resources, pension activity	3,773	3,774	7,547
TOTAL DEFERRED INFLOWS	593,881	3,774	597,655
NET POSITION			
Net investment in capital assets	5,762,977	2,069,489	7,832,466
Restricted - highway aid	25,763	-	25,763
Unrestricted	1,648,018	2,271,154	3,919,172
TOTAL NET POSITION	\$ 7,436,758	\$ 4,340,643	\$ 11,777,401

See accompanying notes to the basic financial statements.

BOROUGH OF HATFIELD
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

Functions/Programs	Expenses	Program Revenues	
		Fees, Charges, Fines and Other	Operating Grants and Contributions
GOVERNMENTAL ACTIVITIES			
General	\$ 622,552	\$ 135,473	\$ 280,728
Protection to persons and property	1,057,750	32,428	69,329
Sanitation	5,903	-	-
Highways	115,841	-	103,325
Recreation	48,855	-	-
Depreciation	388,799	-	-
Interest	48,899	-	-
TOTAL GOVERNMENTAL ACTIVITIES	2,288,599	167,901	453,382
BUSINESS-TYPE ACTIVITIES			
Electric	3,099,245	3,764,453	-
Sewer	789,714	683,250	-
TOTAL BUSINESS-TYPE ACTIVITIES	3,888,959	4,447,703	-
TOTAL GOVERNMENTAL ACTIVITIES	\$ 6,177,558	\$ 4,615,604	\$ 453,382

GENERAL REVENUES

Taxes

Property

Deed transfer

Earned income

Alcoholic beverage

Investment income (loss)

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.

<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
\$ -	\$ (206,351)	\$ -	\$ (206,351)
-	(955,993)	-	(955,993)
-	(5,903)	-	(5,903)
-	(12,516)	-	(12,516)
-	(48,855)	-	(48,855)
-	(388,799)	-	(388,799)
-	(48,899)	-	(48,899)
-	<u>(1,667,316)</u>	-	<u>(1,667,316)</u>
-	-	665,208	665,208
-	-	<u>(106,464)</u>	<u>(106,464)</u>
-	-	<u>558,744</u>	<u>558,744</u>
<u>\$ -</u>	<u>(1,667,316)</u>	<u>558,744</u>	<u>(1,108,572)</u>
	431,658	-	431,658
	92,767	-	92,767
	544,503	-	544,503
	600	-	600
	4,321	(229,208)	(224,887)
	165,215	6,957	172,172
	<u>294,268</u>	<u>(294,268)</u>	<u>-</u>
	<u>1,533,332</u>	<u>(516,519)</u>	<u>1,016,813</u>
	(133,984)	42,225	(91,759)
	<u>7,570,742</u>	<u>4,298,418</u>	<u>11,869,160</u>
	<u>\$ 7,436,758</u>	<u>\$ 4,340,643</u>	<u>\$ 11,777,401</u>

BOROUGH OF HATFIELD

BALANCE SHEET

GOVERNMENTAL FUNDS

DECEMBER 31, 2022

	General Fund	Capital Projects Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,029,064	\$ 374,993	\$ 32,032	\$ 25,763	\$ 1,461,852
Taxes receivable	123,795	-	-	-	123,795
Accounts receivable	9,886	-	-	3,534	13,420
Lease Receivable	607,392	-	-	-	607,392
Due from other funds	514,687	98,825	-	-	613,512
Restricted assets					
Escrow deposits	46,111	-	-	-	46,111
TOTAL ASSETS	\$ 2,330,935	\$ 473,818	\$ 32,032	\$ 29,297	\$ 2,866,082
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 28,590	\$ -	\$ -	\$ -	\$ 28,590
Accrued expenditures	74,506	-	-	-	74,506
Due to other government	2,500	-	-	-	2,500
Unearned revenue	348,785	-	-	-	348,785
Due to other funds	-	-	-	72,530	72,530
Escrow funds payable	46,111	-	-	-	46,111
TOTAL LIABILITIES	500,492	-	-	72,530	573,022
DEFERRED INFLOWS OF RESOURCES					
Lease activity	590,108	-	-	-	590,108
FUND BALANCES					
Restricted - highway aid	-	-	-	25,763	25,763
Assigned - building	-	-	32,032	-	32,032
Unassigned	1,240,335	473,818	-	(68,996)	1,645,157
TOTAL FUND BALANCES	1,240,335	473,818	32,032	(43,233)	1,702,952
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 2,330,935	\$ 473,818	\$ 32,032	\$ 29,297	\$ 2,866,082

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, 2022

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 1,702,952
 Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Land and land improvements	753,711
Infrastructure	4,501,568
Building and other improvements	4,110,672
Machinery, vehicles, furniture and equipment	236,794
 Deferred inflows and outflows of resources related to pension activities are not financial resources and therefore not reported in the governmental funds.	
	169,607
 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	(3,825,870)
Finance purchase	(13,898)
Net pension liability	<u>(198,778)</u>
 NET POSITION OF GOVERNMENTAL ACTIVITIES	 <u><u>\$ 7,436,758</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, 2022

	General Fund	Capital Projects Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 1,035,472	\$ -	\$ -	\$ 52,995	\$ 1,088,467
Licenses and permits	90,793	-	-	-	90,793
Fines, forfeits and costs	4,038	-	-	-	4,038
Interest on investments	2,815	900	3	603	4,321
Intergovernmental revenues	293,161	50,000	-	83,476	426,637
Charges for services	80,876	-	-	-	80,876
Miscellaneous	113,566	-	-	-	113,566
TOTAL REVENUES	1,620,721	50,900	3	137,074	1,808,698
EXPENDITURES					
General	573,527	-	-	-	573,527
Protection to persons and property	995,845	-	-	61,905	1,057,750
Sanitation	5,903	-	-	-	5,903
Highways	215,213	-	-	189,145	404,358
Recreation	44,359	4,496	-	-	48,855
Debt service					
Principal	-	279,408	-	-	279,408
Interest	-	48,901	-	-	48,901
Capital outlays	-	195,784	3,234	-	199,018
TOTAL EXPENDITURES	1,834,847	528,589	3,234	251,050	2,617,720
DEFICIENCY OF REVENUES OVER EXPENDITURES	(214,126)	(477,689)	(3,231)	(113,976)	(809,022)
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of assets	51,649	-	-	-	51,649
Transfers in	1,964,830	1,197,448	-	-	3,162,278
Transfers out	(1,663,803)	(1,204,207)	-	-	(2,868,010)
TOTAL OTHER FINANCING SOURCES (USES)	352,676	(6,759)	-	-	345,917
NET CHANGE IN FUND BALANCES	138,550	(484,448)	(3,231)	(113,976)	(463,105)
FUND BALANCES AT BEGINNING OF YEAR	1,101,785	958,266	35,263	70,743	2,166,057
FUND BALANCES AT END OF YEAR	\$ 1,240,335	\$ 473,818	\$ 32,032	\$ (43,233)	\$ 1,702,952

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, 2022

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (463,105)
<p>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 (\$388,799) is exceeded by capital outlays (\$475,979) in the current period.</p>	87,180
<p>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.</p>	292,705
<p>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:</p>	
Pension plan expense	<u>(50,764)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (133,984)</u>

See accompanying notes to the basic financial statements.

BOROUGH OF HATFIELD
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2022

	Enterprise Funds		Total Proprietary Funds
	Electric Fund	Sewer Fund	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
CURRENT ASSETS			
Cash and cash equivalents	\$ 232,058	\$ 211,026	\$ 443,084
Investments	1,302,371	1,289,904	2,592,275
Accounts receivable	335,344	59,115	394,459
Due from other funds	-	88,558	88,558
TOTAL CURRENT ASSETS	1,869,773	1,648,603	3,518,376
NONCURRENT ASSETS			
Capital assets			
Building and other improvements	63,107	309,902	373,009
Machinery, vehicles and equipment	958,905	396,227	1,355,132
Infrastructure	2,973,145	3,762,176	6,735,321
Less accumulated depreciation	(2,841,587)	(1,782,256)	(4,623,843)
TOTAL CAPITAL ASSETS (NET OF DEPRECIATION)	1,153,570	2,686,049	3,839,619
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	138,702	34,677	173,379
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	3,162,045	4,369,329	7,531,374
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	226,934	145,231	372,165
Accrued expenses	13,007	3,116	16,123
Current portion of long-term debt	122,230	12,400	134,630
Refundable deposits	200,222	-	200,222
Due to other funds	629,540	-	629,540
TOTAL CURRENT LIABILITIES	1,191,933	160,747	1,352,680
LONG-TERM LIABILITIES			
Long-term debt	1,308,400	327,100	1,635,500
Net pension liability	159,020	39,757	198,777
	1,467,420	366,857	1,834,277
TOTAL LIABILITIES	2,659,353	527,604	3,186,957
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	3,019	755	3,774
NET POSITION			
Net investment in capital assets	(277,060)	2,346,549	2,069,489
Unrestricted	776,733	1,494,421	2,271,154
TOTAL NET POSITION	\$ 499,673	\$ 3,840,970	\$ 4,340,643

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, 2022

	Enterprise Funds		Total Proprietary Funds
	Electric Fund	Sewer Fund	
OPERATING REVENUES			
Charges for services			
Sales of electricity	\$ 3,764,453	\$ -	\$ 3,764,453
Sewer fees	-	683,250	683,250
TOTAL OPERATING REVENUES	<u>3,764,453</u>	<u>683,250</u>	<u>4,447,703</u>
OPERATING EXPENSES			
Purchased power	2,084,502	-	2,084,502
Purchased services	86,062	501,533	587,595
Salaries and wages	201,814	59,472	261,286
General and administrative	395,416	87,255	482,671
Insurance and employee benefits	208,235	50,487	258,722
Miscellaneous	9,443	686	10,129
Depreciation	101,052	87,272	188,324
TOTAL OPERATING EXPENSES	<u>3,086,524</u>	<u>786,705</u>	<u>3,873,229</u>
OPERATING INCOME (LOSS)	<u>677,929</u>	<u>(103,455)</u>	<u>574,474</u>
NONOPERATING REVENUES (EXPENSES)			
Interest expense	(12,721)	(3,009)	(15,730)
Miscellaneous income	6,957	-	6,957
Unrealized loss on investments	(126,580)	(102,628)	(229,208)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(132,344)</u>	<u>(105,637)</u>	<u>(237,981)</u>
INCOME (LOSS) BEFORE INTERFUND TRANSFERS	<u>545,585</u>	<u>(209,092)</u>	<u>336,493</u>
INTERFUND TRANSFERS			
Transfers in	626,937	375,079	1,002,016
Transfers out	(1,278,180)	(18,104)	(1,296,284)
TOTAL INTERFUND TRANSFERS	<u>(651,243)</u>	<u>356,975</u>	<u>(294,268)</u>
CHANGE IN NET POSITION	<u>(105,658)</u>	<u>147,883</u>	<u>42,225</u>
NET POSITION AT BEGINNING OF YEAR	<u>605,331</u>	<u>3,693,087</u>	<u>4,298,418</u>
NET POSITION AT END OF YEAR	<u>\$ 499,673</u>	<u>\$ 3,840,970</u>	<u>\$ 4,340,643</u>

See accompanying notes to the basic financial statements.

BOROUGH OF HATFIELD
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2022

	Enterprise Funds		Total Proprietary Funds
	Electric Fund	Sewer Fund	
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 3,825,226	\$ 677,963	\$ 4,503,189
Payments to suppliers and vendors	(2,818,243)	(599,933)	(3,418,176)
Payments to employees	(201,748)	(59,247)	(260,995)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>805,235</u>	<u>18,783</u>	<u>824,018</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	626,937	375,079	1,002,016
Transfers to other funds	(1,278,180)	(18,104)	(1,296,284)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(651,243)</u>	<u>356,975</u>	<u>(294,268)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Net repayments on long-term debt	(121,290)	(12,300)	(133,590)
Acquisition and construction of capital assets	(44,112)	(367,420)	(411,532)
Interest paid on capital debt	(12,721)	(3,009)	(15,730)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(178,123)</u>	<u>(382,729)</u>	<u>(560,852)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investments	35,903	145,416	181,319
Purchases of investments	(14,283)	(23,550)	(37,833)
Income (loss) on investments	6,957	(102,628)	(95,671)
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>28,577</u>	<u>19,238</u>	<u>85,648</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,446	12,267	16,713
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
	<u>227,612</u>	<u>198,759</u>	<u>426,371</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 232,058</u>	<u>\$ 211,026</u>	<u>\$ 443,084</u>

BOROUGH OF HATFIELD
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2022

	Enterprise Funds		Total Proprietary Funds
	Electric Fund	Sewer Fund	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 677,929	\$ (103,455)	\$ 574,474
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation	101,052	87,272	188,324
Pension expense	40,611	10,153	50,764
(Increase) decrease in			
Accounts receivable	56,327	(5,287)	51,040
Increase (decrease) in			
Accounts payable	56,402	29,875	86,277
Accrued expenses	66	225	291
Due to other funds	(131,598)	-	(131,598)
Refundable deposits	4,446	-	4,446
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 805,235</u>	<u>\$ 18,783</u>	<u>\$ 824,018</u>

See accompanying notes to the basic financial statements.

BOROUGH OF HATFIELD

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

DECEMBER 31, 2022

	<u>Pension Trust Funds</u>
ASSETS	
Cash and cash equivalents	\$ 38,103
Investments	
Mutual funds, at market	1,896,548
Municipal contribution receivable	<u>6,574</u>
TOTAL ASSETS	<u>\$ 1,941,225</u>
NET POSITION	
Restricted for pensions	<u>\$ 1,941,225</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, 2022

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions	
Commonwealth	\$ 48,968
Employer	<u>23,637</u>
TOTAL CONTRIBUTIONS	<u>72,605</u>
Investment earnings	
Net decrease in fair value of investments	(524,968)
Interest and dividends	<u>95,839</u>
NET INVESTMENT LOSS	<u>(429,129)</u>
DEDUCTIONS	
Benefits	<u>259,943</u>
CHANGE IN NET POSITION	(616,467)
NET POSITION AT BEGINNING OF YEAR	<u>2,557,692</u>
NET POSITION AT END OF YEAR	<u>\$ 1,941,225</u>

See accompanying notes to the basic financial statements.

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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, 2022. 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.

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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, 2022

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, 2022

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, 2022, 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, 2022, 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, 2022.

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, 2022

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	20-50
Machinery, vehicles, furniture and equipment	5-20
Infrastructure	5-100

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 two items which qualify 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. The deferred inflow of the resources related to leases is reported in the government-wide statement of net position and the governmental funds balance sheet.

Leases

The Borough is the lessor for noncancellable leases of land. The Borough recognizes a lease receivable and a deferred inflow of resources in the statement of net position.

At commencement of a lease, the Borough initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Key estimates and judgements include how the Borough determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Borough uses the implicit rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease plus renewal options that are reasonably certain to be exercised. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The Borough monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of lease receivable.

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.

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.

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 or committed resources as of December 31, 2022.

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.

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.

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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, 2022, the Borough's deposits with banks was \$1,941,276. 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.

The Borough's cash balance includes \$46,111 of restricted escrow deposits. These monies are held by the Borough in a custodial capacity for developers.

Investments

As of December 31, 2022, the Borough had the following investments (excluding pension investments - see Note J):

	<u>Fair Market Value</u>
Money market funds	\$ 346,093
Fixed income mutual funds	<u>2,246,182</u>
	<u>\$ 2,592,275</u>

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

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.

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, 2022, 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	\$ 346,093	13%
Vanguard Short-Term Treasury Fund	Mutual Fund	817,736	32%
Vanguard GNMA Fund	Mutual Fund	1,428,446	55%

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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, 2022, \$46,111 is held in escrow.

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	\$ 624,877
Capital Projects	General Fund	110,190
Capital Projects	Sewer Fund	19,442
Electric Fund	Capital Projects	30,807
Sewer Fund	Electric Fund	108,000
Electric Fund	Fire Fund	72,530
		<u>\$ 965,846</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, 2022, were as follows:

	<u>Transfers Out</u>	<u>Transfers In</u>
GOVERNMENTAL FUNDS		
General Fund	\$ 1,663,803	\$ 1,964,830
Capital Projects	1,204,207	1,197,448
TOTAL GOVERNMENTAL FUNDS	<u>2,868,010</u>	<u>3,162,278</u>
PROPRIETARY FUNDS		
Electric Fund	1,278,180	626,937
Sewer Fund	18,104	375,079
TOTAL PROPRIETARY FUNDS	<u>1,296,284</u>	<u>1,002,016</u>
TOTAL TRANSFERS	<u>\$ 4,164,294</u>	<u>\$ 4,164,294</u>

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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.

NOTE G - PROPERTY AND EQUIPMENT

	Balance January 1, 2022	Additions	Deletions	Balance December 31, 2022
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 753,711	\$ -	\$ -	\$ 753,711
Construction in progress	1,252,822	-	(1,252,822)	-
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	2,006,533	-	(1,252,822)	753,711
Capital assets being depreciated				
Buildings and other improvements	4,957,775	-	-	4,957,775
Machinery, furniture, vehicles and equipment	1,248,450	97,001	(54,340)	1,291,111
Infrastructure	5,438,213	1,631,800	-	7,070,013
TOTAL CAPITAL ASSETS BEING DEPRECIATED	11,644,438	1,728,801	(54,340)	13,318,899
Accumulated depreciation				
Buildings and other improvements	(717,875)	(129,228)	-	(847,103)
Machinery, furniture, vehicles and equipment	(1,062,842)	(45,815)	54,340	(1,054,317)
Infrastructure	(2,354,689)	(213,756)	-	(2,568,445)
TOTAL ACCUMULATED DEPRECIATION	(4,135,406)	(388,799)	54,340	(4,469,865)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	7,509,032	1,340,002	-	8,849,034
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	\$ 9,515,565	\$ 1,340,002	\$ (1,252,822)	\$ 9,602,745
	Balance January 1, 2022	Additions	Deletions	Balance December 31, 2022
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Buildings and other improvements	\$ 373,009	\$ -	\$ -	\$ 373,009
Machinery, vehicles and equipment	1,329,520	25,612	-	1,355,132
Electric collection system	1,410,739	-	-	1,410,739
Sew age collection system	2,540,911	-	-	2,540,911
Infrastructure	2,397,751	385,920	-	2,783,671
TOTAL CAPITAL ASSETS BEING DEPRECIATED	8,051,930	411,532	-	8,463,462
Accumulated depreciation				
Buildings and other improvements	(298,688)	(8,235)	-	(306,923)
Machinery, vehicles and equipment	(1,150,800)	(45,447)	-	(1,196,247)
Electric collection system	(1,229,381)	(19,655)	-	(1,249,036)
Sew age collection system	(1,037,863)	(31,761)	-	(1,069,624)
Infrastructure	(718,787)	(83,226)	-	(802,013)
TOTAL ACCUMULATED DEPRECIATION	(4,435,519)	(188,324)	-	(4,623,843)
BUSINESS-TYPE CAPITAL ASSETS, net	\$ 3,616,411	\$ 223,208	\$ -	\$ 3,839,619

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE G - PROPERTY AND EQUIPMENT (Continued)

Depreciation expense charged to governmental functions (primarily for highways - infrastructure and equipment) and business-type functions amounted to \$388,799 and \$188,324, respectively, for the year ended December 31, 2022.

NOTE H - FINANCED PURCHASE

In 2019, The Borough acquired a vehicle under the provisions of a financed purchase. For financial reporting purposes, minimum payments relating to the truck have been capitalized.

Assets acquired under financed purchases included in machinery, furniture and equipment are as follows:

Cost	\$ 66,590
Less accumulated depreciation	<u>(42,174)</u>
	<u>\$ 24,416</u>

The future minimum payments under the financed purchases and the net present value of future minimum payments at December 31, 2022, are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2023	\$ 14,527
Less amount representing interest	<u>(629)</u>
PRESENT VALUE OF MINIMUM PAYMENTS	<u>\$ 13,898</u>

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, 2022, 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, 2022, the amount outstanding was \$269,000. The Borough has pledged its general taxing power for the payment of the loan.

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE I - LONG-TERM DEBT (Continued)

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, 2022, the amount outstanding was \$3,395,000.

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, 2022, the amount outstanding was \$1,932,000.

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.

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.

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE I - LONG-TERM DEBT (Continued)

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 determine 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.

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.

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE I - LONG-TERM DEBT (Continued)

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, 2022, 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>269,000</u>	Variable	\$ <u>58,256</u>

The following is a summary of changes in long-term debt for the year ended December 31, 2022.

	<u>Balance January 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2022</u>	<u>Amount Due Within One Year</u>
GOVERNMENTAL ACTIVITIES					
Notes payable					
G.O. Note Series B of 2003	\$ 391,280	\$ -	\$ (194,910)	\$ 196,370	\$ 196,370
G.O. Note Series of 2020	1,759,000	-	(61,500)	1,697,500	62,000
G.O. Note Series of 2021	1,955,000	-	(23,000)	1,932,000	89,000
Financed purchase	27,193	-	(13,295)	13,898	13,898
Net pension liability	-	198,778	-	198,778	-
Governmental Activity Long-Term Liabilities	\$ <u>4,132,473</u>	\$ <u>198,778</u>	\$ <u>(292,705)</u>	\$ <u>4,038,546</u>	\$ <u>361,268</u>
BUSINESS-TYPE ACTIVITIES					
Notes payable					
G.O. Note Series B of 2003	\$ 144,720	\$ -	\$ (72,090)	\$ 72,630	\$ 72,630
G.O. Note Series of 2020	1,759,000	-	(61,500)	1,697,500	62,000
Net pension liability	-	198,777	-	198,777	-
Business-Type Activities Long-Term Liabilities	\$ <u>1,903,720</u>	\$ <u>198,777</u>	\$ <u>(133,590)</u>	\$ <u>1,968,907</u>	\$ <u>134,630</u>

The annual debt service requirements as of December 31, 2022, to retire the general obligation note, Series B of 2003, is as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest at 1.03%</u>	<u>Maximum Interest at 15%</u>
2023	\$ <u>269,000</u>	\$ <u>8,261</u>	\$ <u>41,550</u>

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE I - LONG-TERM DEBT (Continued)

The annual debt service requirements as of December 31, 2022, to retire the 2020 general obligation note, is as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest at .873%</u>
2023	\$ 124,000	\$ 29,638
2024	396,000	28,556
2025	400,000	25,099
2026	403,000	21,607
2027	407,000	18,089
2028 to 2031	<u>1,665,000</u>	<u>36,499</u>
	<u>\$ 3,395,000</u>	<u>\$ 159,488</u>

The annual debt service requirements as of December 31, 2022, 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>
2023	\$ 89,000	\$ 22,358
2024	91,000	24,737
2025	92,000	26,759
2026	93,000	28,426
2027	95,000	29,008
2028 to 2032	493,000	118,246
2033 to 2037	528,000	71,356
2038 to 2041	<u>451,000</u>	<u>20,996</u>
	<u>\$ 1,932,000</u>	<u>\$ 341,886</u>

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.

BOROUGH OF HATFIELD
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2022

NOTE J - DEFINED BENEFIT PENSION PLAN

Plan Membership - Membership of the plans consisted of the following at December 31, 2022:

	Non-Uniform Pension
Inactive plan members currently receiving benefits	9
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	5
	<hr/>
	14
	<hr/> <hr/>

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.

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, 2022:

Investments in domestic equity mutual funds of \$1,490,454 and international equity mutual funds of \$148,839.

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.

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE J - DEFINED BENEFIT PENSION PLAN (Continued)

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.

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 \$48,968 to the Borough for contribution to the defined benefit pension plan for the year ended December 31, 2022. 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, 2022 totaled \$48,968.

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, 2022, 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, 2022

NOTE J - DEFINED BENEFIT PENSION PLAN (Continued)

Changes in the Net Pension Liability (Asset)

	Governmental Activities		
	Total	Plan	Net
	Pension Liability (a)	Fiduciary Net Position (b)	Pension Liability (Asset) (a)-(b)
BALANCE AT DECEMBER 31, 2021	\$ 1,027,398	\$ 1,085,239	\$ (57,841)
Changes for the year			
Service cost	17,362	-	17,362
Interest	71,581	-	71,581
Contributions			
State aid	-	24,484	(24,484)
Net investment income (loss)	-	(192,160)	192,160
Benefit payments	(80,153)	(80,153)	-
NET CHANGES	<u>8,790</u>	<u>(247,829)</u>	<u>256,619</u>
BALANCE AT DECEMBER 31, 2022	<u>\$ 1,036,188</u>	<u>\$ 837,410</u>	<u>\$ 198,778</u>
	Business-Type Activities		
	Total	Plan	Net
	Pension Liability (a)	Fiduciary Net Position (b)	Pension Liability (Asset) (a)-(b)
BALANCE AT DECEMBER 31, 2021	\$ 1,027,396	\$ 1,085,237	\$ (57,841)
Changes for the year			
Service cost	17,361	-	17,361
Interest	71,580	-	71,580
Contributions			
State aid	-	24,484	(24,484)
Net investment income (loss)	-	(192,161)	192,161
Benefit payments	(80,153)	(80,153)	-
NET CHANGES	<u>8,788</u>	<u>(247,830)</u>	<u>256,618</u>
BALANCE AT DECEMBER 31, 2022	<u>\$ 1,036,184</u>	<u>\$ 837,407</u>	<u>\$ 198,777</u>

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, 2022, amounted to \$1,674,817. Five percent of total Plan net position amounted to \$83,741.

No investment was greater than 5% of total plan net position at December 31, 2022.

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE J - DEFINED BENEFIT PENSION PLAN (Continued)

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, 2022, the Borough recognized pension expense of \$150,498. At December 31, 2022, the Borough reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Government Activities</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 3,773
Changes in assumptions	34,092	-
Net difference between projected and actual earnings on pension plan investments	<u>139,287</u>	<u>-</u>
	<u>\$ 173,379</u>	<u>\$ 3,773</u>
	<u>Business-Type Activities</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 3,774
Changes in assumptions	34,092	-
Net difference between projected and actual earnings on pension plan investments	<u>139,287</u>	<u>-</u>
	<u>\$ 173,379</u>	<u>\$ 3,774</u>

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2023	\$ 40,448	\$ 40,448
2024	36,010	36,010
2025	39,471	39,471
2026	53,677	53,676

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 2022 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, 2022, listed in the table below.

<u>Asset Class</u>	<u>Target</u>
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, 2022

NOTE J - DEFINED BENEFIT PENSION PLAN (Continued)

Net Pension Liability (Asset)

The net pension liability (asset) of the plan for measurement date December 31, 2022, was as follows:

	<u>Defined Benefit Pension Plan</u>
Total pension liability	\$ 2,072,372
Plan fiduciary net position	<u>1,674,817</u>
NET PENSION LIABILITY	<u>\$ 397,555</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>80.82%</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:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Net pension liability (asset)	\$ <u>560,963</u>	\$ <u>397,555</u>	\$ <u>254,456</u>

Rate of Return on Investments

For the year ended December 31, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -17.71%. 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, 2022

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, 2022, actual contributions by the Borough was \$23,637. There was no state aid for the Plan in 2022. 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 \$257,255 as of December 31, 2022 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, 2022

NOTE N - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Balance

At December 31, 2022, the Fire Fund had a deficit fund balance of \$68,996. 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.

NOTE P - LEASES

Lease Receivable

The Borough leases space on their land for cell towers. The leases range from monthly payments of \$2,099 - \$4,855 through February 2052. The Borough recognized \$20,175 in lease revenue and \$22,278 in interest revenue during 2022 related to these leases. As of December 31, 2022, the Borough's receivable for lease payments was \$607,392. Also, the Borough has a deferred inflow of resources associated with these leases that will be recognized as revenue over the lease term. As of December 31, 2022, the balance of the deferred inflow of resources was \$590,108.

NOTE Q - PRIOR PERIOD RESTATEMENT

The Borough implemented GASB Statement No. 87, Leases, effective January 1, 2022. The objective of GASB Statement No. 87 is to better meet the information needs of the financial statement user by improving accounting and financial reporting for leases by governments. The statement requires recognition of lease assets and liabilities using a foundational principle that leases are financings of the right to use an underlying asset.

The Borough has treated the beginning of the year assets and deferred inflow for leases in which the Borough is a lessor as having been recognized in the period incurred. As part of the implementation, the Borough has adjusted beginning balance of Lease Receivables and Lease Related Deferred Inflows from \$0 to \$610,283.

REQUIRED SUPPLEMENTARY INFORMATION

BOROUGH OF HATFIELD
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2022

	Budgeted Amounts (GAAP)		Actual	Favorable (Unfavorable)
	Original	Final		
REVENUES				
Taxes	\$ 914,328	\$ 914,328	\$ 1,035,472	\$ 121,144
Licenses and permits	86,974	86,974	90,793	3,819
Fines, forfeits and costs	1,969	1,969	4,038	2,069
Interest on investments	-	-	2,815	2,815
Intergovernmental revenues	126,957	126,957	293,161	166,204
Charges for services	8,174	8,174	80,876	72,702
Miscellaneous	44,717	44,717	165,215	120,498
TOTAL REVENUES	<u>1,183,119</u>	<u>1,183,119</u>	<u>1,672,370</u>	<u>489,251</u>
EXPENDITURES				
General	554,894	554,894	573,527	(18,633)
Protection to persons and property	1,014,371	1,014,371	995,845	18,526
Sanitation	7,250	7,250	5,903	1,347
Highways	229,975	229,975	215,213	14,762
Recreation	81,790	81,790	44,359	37,431
TOTAL EXPENDITURES	<u>1,888,280</u>	<u>1,888,280</u>	<u>1,834,847</u>	<u>53,433</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES				
	<u>(705,161)</u>	<u>(705,161)</u>	<u>(162,477)</u>	<u>542,684</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	850,000	850,000	1,964,830	1,114,830
Transfers out	(127,000)	(127,000)	(1,663,803)	(1,536,803)
TOTAL OTHER FINANCING SOURCES (USES)	<u>723,000</u>	<u>723,000</u>	<u>301,027</u>	<u>(421,973)</u>
NET CHANGE IN FUND BALANCE				
	<u>\$ 17,839</u>	<u>\$ 17,839</u>	<u>\$ 138,550</u>	<u>\$ 120,711</u>

See accompanying note to the budgetary comparison schedule.

BOROUGH OF HATFIELD

NOTE TO THE BUDGETARY COMPARISON SCHEDULE

DECEMBER 31, 2022

NOTE A - EXCESS OF EXPENDITURES OVER APPROPRIATION

For the year ended December 31, 2022, expenditures exceeded appropriations in the following General Fund object levels (the legal level of budgetary control):

General	\$ 18,633
---------	-----------

The excess expenditures were funded by revenues that were over budget and available fund balance.

This Page Intentionally Left Blank

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
TOTAL PENSION LIABILITY				
Service cost	\$ 34,723	\$ 30,834	\$ 67,265	\$ 64,062
Interest	143,161	143,190	148,706	141,376
Changes of benefit terms	-	(108,401)	-	-
Differences between expected and actual experience	-	(20,790)	-	(4,683)
Changes of assumptions	-	187,804	-	-
Benefit payments	<u>(160,306)</u>	<u>(126,861)</u>	<u>(117,019)</u>	<u>(117,019)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	17,578	105,776	98,952	83,736
Total pension liability, beginning	<u>2,054,794</u>	<u>1,949,018</u>	<u>1,850,066</u>	<u>1,766,330</u>
TOTAL PENSION LIABILITY, ENDING (a)	\$ <u>2,072,372</u>	\$ <u>2,054,794</u>	\$ <u>1,949,018</u>	\$ <u>1,850,066</u>
PLAN FIDUCIARY NET POSITION				
Contributions				
Employer	\$ -	\$ 96,171	\$ 93,691	\$ 90,727
State aid	48,968	47,973	49,238	51,205
Net investment income (loss)	(384,321)	276,172	201,947	289,289
Benefit payments, including refunds of member contributions	<u>(160,306)</u>	<u>(126,861)</u>	<u>(117,019)</u>	<u>(117,019)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(495,659)	293,455	227,857	314,202
Plan fiduciary net position, beginning	<u>2,170,476</u>	<u>1,877,021</u>	<u>1,649,164</u>	<u>1,334,962</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	\$ <u>1,674,817</u>	\$ <u>2,170,476</u>	\$ <u>1,877,021</u>	\$ <u>1,649,164</u>
NET PENSION LIABILITY (ASSET), ENDING (a)-(b)	\$ <u>397,555</u>	\$ <u>(115,682)</u>	\$ <u>71,997</u>	\$ <u>200,902</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>80.8%</u>	<u>105.6%</u>	<u>96.3%</u>	<u>89.1%</u>
COVERED PAYROLL	\$ <u>413,822</u>	\$ <u>468,274</u>	\$ <u>460,036</u>	\$ <u>447,174</u>
NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF COVERED PAYROLL	<u>96.1%</u>	<u>-24.7%</u>	<u>15.7%</u>	<u>44.9%</u>

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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$	63,935	\$ 60,890	\$ 61,470	\$ 58,543	\$ 52,569
	135,173	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>(117,019)</u>	<u>(116,459)</u>	<u>(115,900)</u>
	82,089	54,348	69,518	114,383	48,073
	<u>1,684,241</u>	<u>1,629,893</u>	<u>1,560,375</u>	<u>1,445,992</u>	<u>1,397,919</u>
\$	<u><u>1,766,330</u></u>	<u><u>1,684,241</u></u>	<u><u>1,629,893</u></u>	<u><u>1,560,375</u></u>	<u><u>1,445,992</u></u>
\$	94,044	\$ 71,154	\$ 72,992	\$ 71,640	\$ 73,626
	46,844	41,294	39,372	31,367	34,854
	(113,975)	158,043	70,955	(26,314)	68,086
	<u>(117,019)</u>	<u>(117,019)</u>	<u>(117,019)</u>	<u>(116,459)</u>	<u>(115,900)</u>
	(90,106)	153,472	66,300	(39,766)	60,666
	<u>1,425,068</u>	<u>1,271,596</u>	<u>1,205,296</u>	<u>1,245,062</u>	<u>1,184,396</u>
\$	<u><u>1,334,962</u></u>	<u><u>1,425,068</u></u>	<u><u>1,271,596</u></u>	<u><u>1,205,296</u></u>	<u><u>1,245,062</u></u>
\$	<u><u>431,368</u></u>	<u><u>259,173</u></u>	<u><u>358,297</u></u>	<u><u>355,079</u></u>	<u><u>200,930</u></u>
	<u>75.6%</u>	<u>84.6%</u>	<u>78.0%</u>	<u>77.2%</u>	<u>86.1%</u>
\$	<u><u>440,066</u></u>	<u><u>430,152</u></u>	<u><u>429,572</u></u>	<u><u>398,802</u></u>	<u><u>444,756</u></u>
	<u>98.0%</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 NINE FISCAL YEARS

	<u>2022</u>	<u>2021</u>	<u>2020</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 42,895	\$ 144,144	\$ 142,929
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>48,968</u>	<u>144,144</u>	<u>142,929</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ 6,073</u>	<u>\$ -</u>	<u>\$ -</u>
COVERED PAYROLL	<u>\$ 413,822</u>	<u>\$ 468,274</u>	<u>\$ 460,036</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	<u>11.83%</u>	<u>30.78%</u>	<u>31.07%</u>

NOTES TO SCHEDULE

Valuation date:

January 1, 2021

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
Amortization method	Level dollar
Remaining amortization period	13 years
Asset valuation method	Market value
Inflation	2.25%
Salary increases	5.00%
Investment rate of return	7.25%
Retirement age	62
Mortality	PubS-2010 Mortality projected 5 years past the valuation date

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

2019	2018	2017	2016	2015	2014
\$ 141,932	\$ 140,888	\$ 112,448	\$ 112,364	\$ 103,007	\$ 108,480
<u>141,932</u>	<u>140,888</u>	<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>-</u>	\$ <u>-</u>
\$ <u>447,174</u>	\$ <u>440,066</u>	\$ <u>430,152</u>	\$ <u>429,572</u>	\$ <u>398,802</u>	\$ <u>444,756</u>
<u>31.74%</u>	<u>32.02%</u>	<u>26.14%</u>	<u>26.16%</u>	<u>25.83%</u>	<u>24.39%</u>

January 1, 2019

January 1, 2017

January 1, 2015

Entry age
Level dollar
8 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 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 NINE FISCAL YEARS

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>-17.71%</u>	<u>14.71%</u>	<u>12.25%</u>	<u>21.67%</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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u><u>-8.00%</u></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, 2022

	Nonmajor Special Revenue Funds		
	Fire Fund	Highway Aid Fund	Totals
ASSETS			
Cash and cash equivalents	\$ -	\$ 25,763	\$ 25,763
Accounts receivable	3,534	-	3,534
TOTAL ASSETS	\$ 3,534	\$ 25,763	\$ 29,297
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other funds	\$ 72,530	\$ -	\$ 72,530
FUND BALANCES			
Restricted	-	25,763	25,763
Unassigned	(68,996)	-	(68,996)
TOTAL FUND BALANCES	(68,996)	25,763	(43,233)
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,534	\$ 25,763	\$ 29,297

BOROUGH OF HATFIELD**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2022**

	Nonmajor Special Revenue Funds		
	Fire Fund	Highway Aid Fund	Totals
REVENUES			
Taxes	\$ 52,995	\$ -	\$ 52,995
State motor vehicle fuel tax	-	83,476	83,476
Interest on investments	-	603	603
TOTAL REVENUES	<u>52,995</u>	<u>84,079</u>	<u>137,074</u>
EXPENDITURES			
Fire	61,905	-	61,905
Highway	-	189,145	189,145
TOTAL EXPENDITURES	<u>61,905</u>	<u>189,145</u>	<u>251,050</u>
DEFICIT OF REVENUES OVER EXPENDITURES	(8,910)	(105,066)	(113,976)
FUND BALANCES AT BEGINNING OF YEAR	<u>(60,086)</u>	<u>130,829</u>	<u>70,743</u>
FUND BALANCES AT END OF YEAR	<u><u>\$ (68,996)</u></u>	<u><u>\$ 25,763</u></u>	<u><u>\$ (43,233)</u></u>

BOROUGH OF HATFIELD

COMBINING SCHEDULE OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

DECEMBER 31, 2022

	Pension Trust Funds		
	<u>Defined Benefit</u>	<u>Defined Contribution</u>	<u>Totals</u>
ASSETS			
Cash and cash equivalents	\$ 35,524	\$ 2,579	\$ 38,103
Investments			
Mutual funds, at fair value	1,639,293	257,255	1,896,548
Municipal contribution receivable	<u>-</u>	<u>6,574</u>	<u>6,574</u>
TOTAL ASSETS	<u>\$ 1,674,817</u>	<u>\$ 266,408</u>	<u>\$ 1,941,225</u>
NET POSITION			
Restricted for pensions	<u>\$ 1,674,817</u>	<u>\$ 266,408</u>	<u>\$ 1,941,225</u>

BOROUGH OF HATFIELD

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2022

	Pension Trust Funds		
	Defined Benefit	Defined Contribution	Totals
ADDITIONS			
Contributions			
Commonwealth	\$ 48,968	\$ -	\$ 48,968
Employer	-	23,637	23,637
TOTAL CONTRIBUTIONS	<u>48,968</u>	<u>23,637</u>	<u>72,605</u>
Investment earnings			
Net decrease in fair value of investments	(471,968)	(53,000)	(524,968)
Interest and dividends	87,647	8,192	95,839
NET INVESTMENT LOSS	<u>(384,321)</u>	<u>(44,808)</u>	<u>(429,129)</u>
DEDUCTIONS			
Benefits	<u>160,306</u>	<u>99,637</u>	<u>259,943</u>
CHANGE IN NET POSITION	(495,659)	(120,808)	(616,467)
NET POSITION AT BEGINNING OF YEAR	<u>2,170,476</u>	<u>387,216</u>	<u>2,557,692</u>
NET POSITION AT END OF YEAR	<u>\$ 1,674,817</u>	<u>\$ 266,408</u>	<u>\$ 1,941,225</u>