

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PENNSYLVANIA
Financial Report
December 31, 2023**

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PENNSYLVANIA
December 31, 2023

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Independent Auditors' Report

To the Board of Commissioners
Hatfield Township
Hatfield, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hatfield Township, Montgomery County, Pennsylvania (the Township), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Township's primary government as listed in the table of contents.

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the primary government of the Township, as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adverse Opinion on the Reporting Entity

In our opinion, because of the significance of the matter described in the Basis for Adverse Opinion on the Reporting Entity paragraph, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the Township, as of December 31, 2023, the changes in its financial position or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. In accordance with accounting principles generally accepted in the United States of America, the Township has issued separate reporting entity financial statements, which were audited by other accounting firms. At this time, the component units' audit reports for the year ended December 31, 2023, are not complete.

Basis for Opinions

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

Basis for Adverse Opinion on the Reporting Entity

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required information on pages 4-13 and 77-90 be presented to supplement the basic financial statements. Such information is the responsibility of management, and although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

DunlapSLK, PC

Chalfont, Pennsylvania
August 6, 2024

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2023

This discussion and analysis of Hatfield Township's (the Township) financial performance provide an overview of the Township's financial activities for the year ended December 31, 2023. Please read it in conjunction with the Township's financial statements, which begins after the Management Discussion and Analysis.

FINANCIAL HIGHLIGHTS

- Hatfield Township's financials were strong in 2023. In 2024, the Township passed a budget with a zero percent increase for the 10th consecutive year.
- Overall revenue increased 2%. The Earned Income Tax increased 9% from 2022 to 2023, showing wages are up within the Township.
- Hatfield Township's Long-Term Debt Obligations increased to \$24 million in the beginning of 2024, with the issuance of a new Police Station financing in January 2024.

USING THIS REPORT

This report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 14 and 15-16) provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements start on page 17. For governmental activities, these statements tell how Township services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide statements by providing information about the Township's major funds. The remaining statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside the government.

Reporting on the Township as a Whole

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

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2023

USING THIS REPORT (continued)

Reporting Significant Funds

The fund financial statements begin on page 17 and provide detailed information about the most significant funds, not the Township as a whole. Some funds are required to be established by State law. However, the Board of Commissioners established many other funds to help it control or manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

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

The Township as a Trustee

The Township is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for escrow deposits received from developers, businesses, and individuals for legal and engineering fees. All of the Township's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 26 and 27. These activities are excluded from the Township's other financial statements because the Township cannot use these assets to finance its operations. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE TOWNSHIP AS A WHOLE

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

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2023

THE TOWNSHIP AS A WHOLE (continued)

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

	2023	2022	\$ Change	% Change
Capital Assets	\$ 37,954,693	\$ 37,514,650	\$ 440,043	1.17%
Current and Other Assets	14,445,261	13,623,559	821,702	6.03%
Total Assets	<u>52,399,954</u>	<u>51,138,209</u>	<u>1,261,745</u>	2.47%
Deferred Outflows of Resources	<u>6,244,792</u>	<u>6,289,901</u>	<u>(45,109)</u>	(0.72)%
Long-Term Liabilities	9,897,378	9,416,756	480,622	5.10%
Other Liabilities	1,184,799	957,953	226,846	23.68%
Total Liabilities	<u>11,082,177</u>	<u>10,374,709</u>	<u>707,468</u>	6.82%
Deferred Inflows of Resources	<u>3,861,844</u>	<u>4,295,134</u>	<u>(433,290)</u>	(10.09)%
Net Position				
Invested in Capital Assets,				
Net of Related Debt	34,970,777	33,931,754	1,039,023	3.06%
Restricted	4,584,475	5,247,711	(663,236)	(12.64)%
Unrestricted	<u>4,145,473</u>	<u>3,578,802</u>	<u>566,671</u>	15.83%
Total Net Position	<u>\$ 43,700,725</u>	<u>\$ 42,758,267</u>	<u>\$ 942,458</u>	2.20%

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2023

THE TOWNSHIP AS A WHOLE (continued)

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

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Program Revenues				
General Government	\$ 370,322	\$ 417,166	\$ (46,844)	(11.23)%
Police	1,421,655	1,338,041	83,614	6.25%
Fire	265,779	279,322	(13,543)	(4.85)%
Code Enforcement	984,115	1,379,421	(395,306)	(28.66)%
Highway Maintenance	1,062,568	1,228,255	(165,687)	(13.49)%
Snow Removal	3,929	2,620	1,309	49.96%
Parks and Recreation	399,503	574,000	(174,497)	(30.40)%
Pool	804,155	761,370	42,785	100.00%
General Revenues				
Real Estate Taxes	5,462,567	5,158,401	304,166	5.90%
Transfer Taxes	1,280,414	1,025,572	254,842	24.85%
Earned Income Taxes	4,325,959	3,949,444	376,515	9.53%
Other Taxes	747,069	822,168	(75,099)	(9.13)%
Grants and Contributions	29,237	46,863	(17,626)	(37.61)%
Interest and Rents	388,182	69,632	318,550	457.48%
Gain on Disposal of Equipment	17,723	16,971	752	4.43%
Miscellaneous	188,982	306,456	(117,474)	(38.33)%
Total Revenues (forwarded)	<u>\$ 17,752,159</u>	<u>\$ 17,375,702</u>	<u>\$ 376,457</u>	2.17%

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2023

THE TOWNSHIP AS A WHOLE (continued)

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

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Total Revenues (forwarded)	<u>\$ 17,752,159</u>	<u>\$ 17,375,702</u>	<u>\$ 376,457</u>	2.17%
Program Expenses				
Finance and Tax Collection	279,071	268,701	10,370	3.86%
Professional Services	288,097	377,343	(89,246)	(23.65)%
General Government	2,102,676	1,542,647	560,029	36.30%
Police	7,747,608	7,018,399	729,209	10.39%
Fire	846,546	724,937	121,609	16.78%
Code Enforcement and Zoning	644,698	593,173	51,525	8.69%
Highway Maintenance	3,141,831	3,191,635	(49,804)	(1.56)%
Snow and Ice Removal	7,351	44,849	(37,498)	(83.61)%
Street Lighting	55,601	64,012	(8,411)	(13.14)%
Parks and Recreation	498,602	485,337	13,265	2.73%
Pool	1,197,620	1,055,784	141,836	13.43%
Total Expenses	<u>16,809,701</u>	<u>15,366,817</u>	<u>1,442,884</u>	9.39%
Change in Net Position	<u>\$ 942,458</u>	<u>\$ 2,008,885</u>	<u>\$ (1,066,427)</u>	(53.09)%

Revenue Overview

Overall revenues increased from 2022 to 2023 by approximately \$376,000, 2.17%.

- Transfer Tax revenue was over \$1 million for the second time in the Township's history. This was due to three large developments that were actively selling during the year.
- Earned income tax had another strong year. In 2023, we had a 9.53% increase.
- Real Estate Tax collection increased 5.9% in 2023 due to 3 new residential developments and a significant expansion at Clemens Food Group.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2023

THE TOWNSHIP AS A WHOLE (continued)

Figure 1

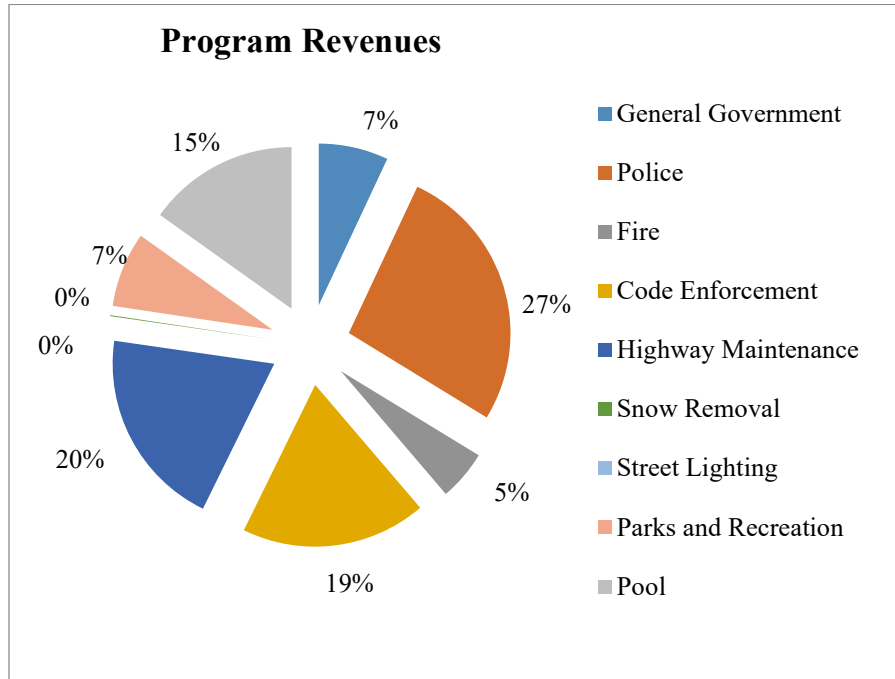
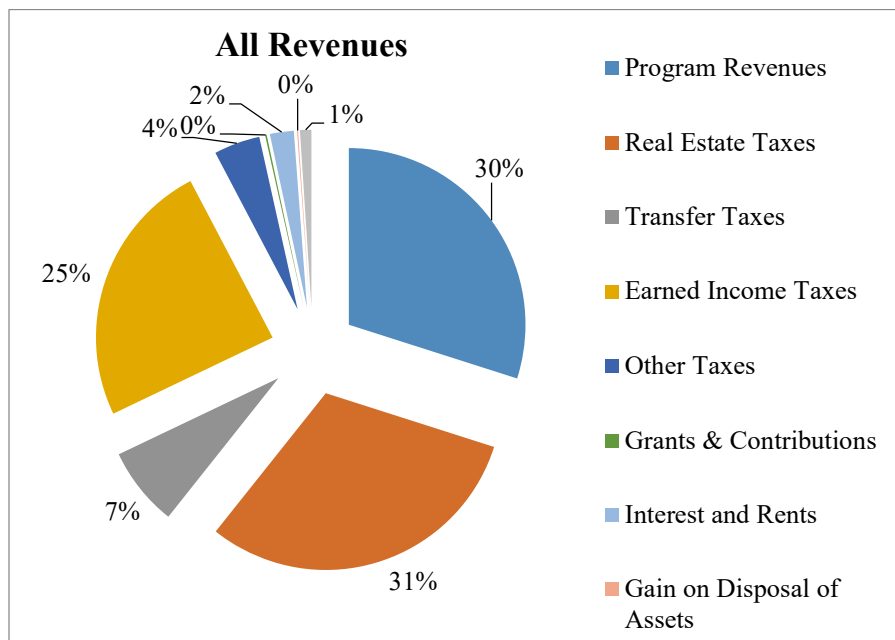


Figure 2



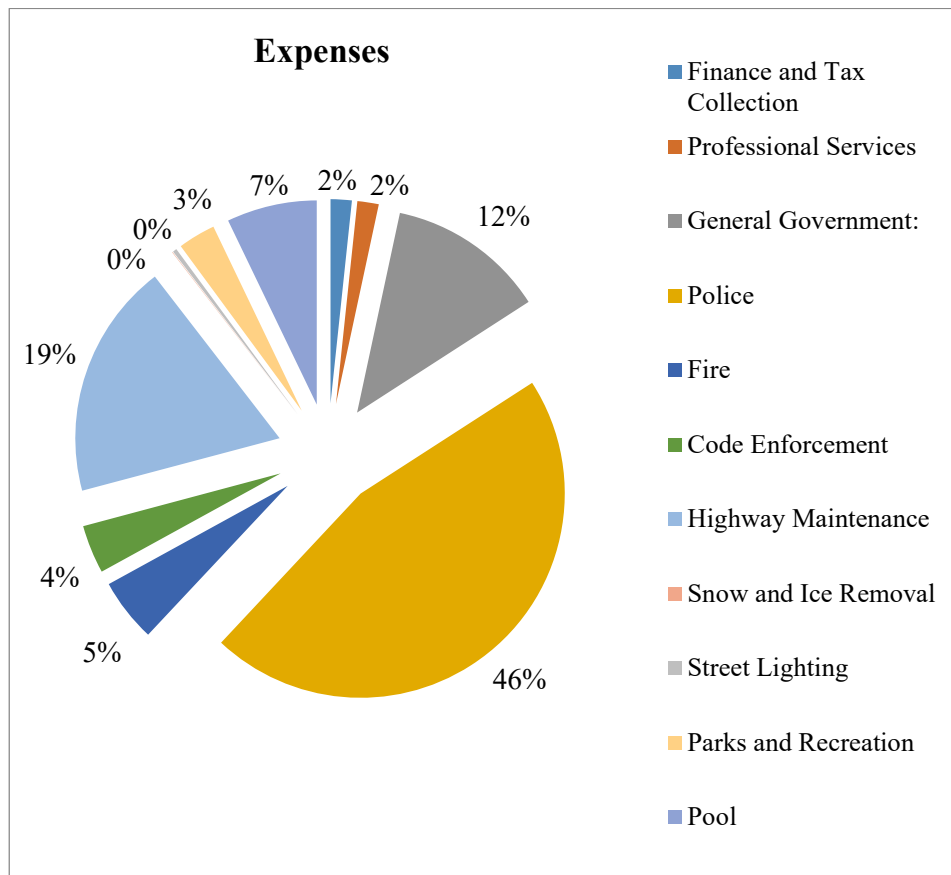
**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2023**

THE TOWNSHIP AS A WHOLE (continued)

Expense Overview

Total expenses increased in 2023 by 9.39%, resulting from increased spending due to increases in activity within the Township. General Government costs rose 36% due to increased cost of benefits and professional fees. Code Enforcement increased by 8.69% due to the increased development of the Township's residential and commercial development. Contributions to the Fire Companies increased by 16.78% due to the Township's support of its two volunteer fire companies with equipment purchases and station upgrades.

Figure 3



HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2023

ITEMS OF GENERAL INTEREST

Water

North Penn Water Authority and on-lot water systems serve residents and businesses of the Township. The Township has no financial or management control of the water company.

Waste Water

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

Fire and Ambulance

The Hatfield Fire Company and the Colmar Fire Company in designated districts serve residents and businesses of the Township. There are mutual aid agreements and central dispatching throughout the area. Ambulance service is provided by the Volunteer Medical Service Corps of Lansdale, located within the Township. The Township collects and distributes a 0.62 mill fire tax, and aside from providing worker's compensation insurance for both the fire companies and the ambulance service, it has no other financial or management control of the fire companies or ambulance services.

Public Facilities

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

ANALYSIS OF INDIVIDUAL FUNDS

General Fund

At the end of 2023, Hatfield Township maintained adequate cash reserves of 15% in accordance with GFOA best practice standards.

Other Funds

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

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2023

ANALYSIS OF INDIVIDUAL FUNDS (continued)

Capital Reserve Fund

The Township purchased two new cars for the Police Department.

Parks and Recreation Fund

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

State Aid Fund

The Township receives money from the state, which is part of the gasoline tax you pay at the pump. This money is strictly spent on paving the Township roads and maintaining its equipment to maintain the roads. The Township receives about \$530,000 yearly from the state for this fund.

Fire Fund

The Fire Fund relies on a 0.62 mill real estate tax to fund its contributions to the Hatfield Volunteer Fire Department and the Colmar Volunteer Fire Department.

Pool Fund

The Aquatic Center opened in 2007. In 2023, the pool was named one of Pennsylvania's Top 10 public pools.

Pension Plans

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Planning

The Township is planning to build a new police station, which will partially funded by a \$21 million bond issue. The Township is actively looking at grants to help bring this cost down.

Debt

The Township's debt balance was \$3.1 million at the end of 2023. In early 2024, the Township completed a \$21 million bond issue to fund its new police station. Part of the property taxes paid to the Township is dedicated to paying this debt.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2023**

ECONOMIC FORECAST

In 2024, the S&P assigned Hatfield Township an "AA" bond rating, an increase from the "-AA" rating in 2019. This increase in rating reflects Hatfield Township's strong economy, adequate reserves, capital planning, strongly funded long-term pension debt, and 10-year no real estate tax increases.

In 2024, Hatfield Township issued a \$21 million bond to fund its new Police Station. The old Police Station, 50 years old, was built in the 1970s for a population under 10,000 with a department size of 30% of its current size. Today, the Police service a population approaching 25,000 (Hatfield Township and Borough), and its staff are split into two different buildings. The new Police Station will bring the entire department under one building and move the department to a more central location to better serve the community.

Hatfield Township is still growing. Over the past couple of years, it has added over 400 new residential units and has seen its largest commercial property significantly added to its business. The Township is also seeing a significant improvement in its infrastructure to help its development. The Commonwealth of Pennsylvania is completing a connector road within the Township to help move traffic from Route 309 to the Pennsylvania Turnpike to help elevate truck traffic. The Township has recently completed road improvement by straightening out Orvilla Road at Cowpath Road and has obtained a grant from the State to improve the Orvilla Road/Welsh Road intersection.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT TEAM

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

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Statement of Net Position
December 31, 2023

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 11,428,819	\$ 31,881	\$ 11,460,700
Taxes and Other Receivables	2,235,405	100	2,235,505
Prepaid Expenses	28,942	-	28,942
Internal Balances	8,009	(8,009)	-
Due from Fiduciary Funds	186,629	-	186,629
Total Current Assets	<u>13,887,804</u>	<u>23,972</u>	<u>13,911,776</u>
Noncurrent Assets			
Net Capital Assets	33,518,039	4,436,654	37,954,693
Right of Use Asset - Subscriptions	533,485	-	533,485
Fair Value of Derivative Instrument	288,509	67,815	356,324
Total Noncurrent Assets	<u>34,340,033</u>	<u>4,504,469</u>	<u>38,844,502</u>
Total Assets	<u>48,227,837</u>	<u>4,528,441</u>	<u>52,756,278</u>
Deferred Outflows of Resources			
Pension and Other Post-Employment Benefit Outflows	<u>6,244,792</u>	<u>-</u>	<u>6,244,792</u>
Liabilities			
Current Liabilities			
Current Portion of General Obligation Notes	255,000	263,000	518,000
Current Portion of Equipment Notes Payable	39,188	-	39,188
Current Portion of Subscription Liabilities	46,286	-	46,286
Accounts Payable and Accrued Expenses	315,150	684	315,834
Accrued Wages and Payroll Taxes	265,491	-	265,491
Total Current Liabilities	<u>921,115</u>	<u>263,684</u>	<u>1,184,799</u>
Noncurrent Liabilities			
General Obligation Notes Payable	1,428,000	972,000	2,400,000
Equipment Notes Payable	26,728	-	26,728
Subscription Liabilities	510,962	-	510,962
Compensated Absences	157,437	-	157,437
Net Pension Liability	5,727,263	-	5,727,263
Other Post-Employment Benefits	1,074,988	-	1,074,988
Total Noncurrent Liabilities	<u>8,925,378</u>	<u>972,000</u>	<u>9,897,378</u>
Total Liabilities	<u>9,846,493</u>	<u>1,235,684</u>	<u>11,082,177</u>
Deferred Inflows of Resources			
Pension and Other Post-Employment Benefits Inflows	2,831,714	-	2,831,714
Deferred Grant Revenue	1,022,182	7,948	1,030,130
Accumulated Increase in Fair Value of Derivative	288,509	67,815	356,324
Total Deferred Inflows of Resources	<u>4,142,405</u>	<u>75,763</u>	<u>4,218,168</u>
Net Position			
Invested in Capital Assets, Net of Related Debt	31,769,123	3,201,654	34,970,777
Restricted for Capital Projects	3,411,004	21,467	3,432,471
Restricted for Other	1,152,004	-	1,152,004
Unrestricted	<u>4,151,600</u>	<u>(6,127)</u>	<u>4,145,473</u>
Total Net Position	<u>\$ 40,483,731</u>	<u>\$ 3,216,994</u>	<u>\$ 43,700,725</u>

See notes to financial statements.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Statement of Activities
Year Ended December 31, 2023

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government				
Finance and Tax Collection	\$ 279,071	\$ -	\$ -	\$ -
Professional Fees	288,097	-	-	-
General Government	2,102,676	302,566	67,756	-
Public Safety				
Police	7,747,608	1,111,860	309,795	-
Fire	846,546	113,849	151,930	-
Code Enforcement and Zoning	644,698	969,872	14,243	-
Highways				
Highway Maintenance	3,141,831	5,061	583,799	473,708
Snow and Ice Removal	7,351	3,929	-	-
Street Lighting	55,601	-	-	-
Parks and Recreation	498,602	36,609	328,919	33,975
Total Governmental Activities	15,612,081	2,543,746	1,456,442	507,683
Business-Type Activities				
Pool	1,197,620	654,493	960	148,702
Total	<u>\$ 16,809,701</u>	<u>\$ 3,198,239</u>	<u>\$ 1,457,402</u>	<u>\$ 656,385</u>

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

Change in Net Position

Net Position
Beginning of Year

End of Year

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
\$ (279,071)	\$ -	\$ (279,071)
(288,097)	-	(288,097)
(1,732,354)	-	(1,732,354)
(6,325,953)	-	(6,325,953)
(580,767)	-	(580,767)
339,417	-	339,417
(2,079,263)	-	(2,079,263)
(3,422)	-	(3,422)
(55,601)	-	(55,601)
(99,099)	-	(99,099)
(11,104,210)	-	(11,104,210)
-	(393,465)	(393,465)
(11,104,210)	(393,465)	(11,497,675)
5,462,567	-	5,462,567
6,353,442	-	6,353,442
27,689	1,548	29,237
388,182	-	388,182
188,982	-	188,982
17,723	-	17,723
(418,546)	418,546	-
12,020,039	420,094	12,440,133
915,829	26,629	942,458
39,567,902	3,190,365	42,758,267
<u>\$ 40,483,731</u>	<u>\$ 3,216,994</u>	<u>\$ 43,700,725</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Balance Sheet
Governmental Funds
December 31, 2023

	<u>General Fund</u>	<u>Recycling Fund</u>	<u>Debt Service Fund</u>
Assets			
Cash and Cash Equivalents	\$ 5,745,322	\$ 2,124,183	\$ 680,547
Taxes Receivable	2,052,923	-	22,918
Grants and Other Receivables, Net	109,347	-	997
Prepaid Expenses	28,942	-	-
Due from Other Funds	<u>204,984</u>	<u>-</u>	<u>755</u>
Total Assets	<u><u>\$ 8,141,518</u></u>	<u><u>\$ 2,124,183</u></u>	<u><u>\$ 705,217</u></u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable and Accrued Expenses	\$ 105,217	\$ 131,016	\$ 423
Accrued Wages and Payroll Taxes	262,200	-	-
Due to Other Funds	<u>2,084</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>369,501</u>	<u>131,016</u>	<u>423</u>
Deferred Inflows of Resources			
Deferred Tax Receipts	724,629	-	20,317
Deferred Grant Revenue	<u>-</u>	<u>1,022,182</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>724,629</u>	<u>1,022,182</u>	<u>20,317</u>
Fund Balances			
Nonspendable	28,942	-	-
Restricted	-	-	6,712
Assigned	-	970,985	677,765
Unassigned	<u>7,018,446</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>7,047,388</u>	<u>970,985</u>	<u>684,477</u>
Total Liabilities and Fund Balances	<u><u>\$ 8,141,518</u></u>	<u><u>\$ 2,124,183</u></u>	<u><u>\$ 705,217</u></u>

See notes to financial statements.

Impact Fees Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,072,051	\$ 1,806,716	\$ 11,428,819
-	49,220	2,125,061
-	-	110,344
-	-	28,942
-	5,803	211,542
<u>\$ 1,072,051</u>	<u>\$ 1,861,739</u>	<u>\$ 13,904,708</u>

\$ 18,999	\$ 59,495	\$ 315,150
-	3,291	265,491
-	14,820	16,904
<u>18,999</u>	<u>77,606</u>	<u>597,545</u>

-	24,594	769,540
-	-	1,022,182
-	24,594	1,791,722

-	-	28,942
1,046,080	357,678	1,410,470
6,972	1,426,229	3,081,951
-	(24,368)	6,994,078
<u>1,053,052</u>	<u>1,759,539</u>	<u>11,515,441</u>
<u>\$ 1,072,051</u>	<u>\$ 1,861,739</u>	<u>\$ 13,904,708</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2023

Total Governmental Fund Balances	\$ 11,515,441
Amounts Reported for Governmental Activities in the Statement of Net Position Are Different Because	
Capital Assets Used in Governmental Activities Are Not Financial Resources and, Therefore, Not Reported in Funds, Net of Accumulated Depreciation of \$24,396,626.	33,518,039
Right of Use Asset - Subscriptions is Not a Financial Resource, and Therefore Not Reported in Funds.	533,485
Other Long-Term Assets Are Not Available to Pay Current Period Expenditures, and Therefore Are Deferred in the Funds.	
Taxes Receivable	769,540
Fair Value of Derivative Instruments	288,509
Deferred Pension and Other Post-Employment Benefit Outflows of Resources Are Not Available in the Current Period	6,244,792
Long-Term Liabilities Are Not Due and Payable in the Current Period, and, Therefore, Are Not Reported in the Funds.	
General Obligation Note Payable	(1,683,000)
Equipment Notes Payable	(65,916)
Subscription Liabilities	(557,248)
Compensated Absences	(157,437)
Net Pension Liability	(5,727,263)
Other Post-Employment Benefits	(1,074,988)
Deferred Accumulated Increase in Fair Value of Derivative Instrument	(288,509)
Deferred Pension and Other Post-Employment Benefit Inflows of Resources Are Not Available in the Current Period	<u>(2,831,714)</u>
Net Position of Governmental Activities	<u><u>\$ 40,483,731</u></u>

See notes to financial statements.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2023

	<u>General Fund</u>	<u>Recycling Fund</u>	<u>Debt Service Fund</u>
Revenues			
Taxes	\$ 10,093,143	\$ -	\$ 704,129
Intergovernmental	600,737	416,804	27,689
Charges for Services	2,111,855	-	-
Fines, Licenses and Permits	374,324	-	-
Interest Income and Rents	379,797	-	-
Miscellaneous Revenues	113,743	114,737	-
Total Revenues	<u>13,673,599</u>	<u>531,541</u>	<u>731,818</u>
Expenditures			
General Government	1,380,084	-	-
Public Safety	5,630,781	-	-
Public Works	1,543,377	407,215	-
Parks and Recreation	-	15,414	-
Debt Service - Principal	48,035	-	342,000
Debt Service - Interest	24,132	-	28,189
Capital Expenditures	649,565	122,145	-
Insurance and Employee Benefits	2,899,608	-	-
Miscellaneous Governmental	96,745	-	-
Total Expenditures	<u>12,272,327</u>	<u>544,774</u>	<u>370,189</u>
Excess (Deficiency) of Revenues Over Expenditures	1,401,272	(13,233)	361,629
Other Financing Sources (Uses)			
Software Subscriptions	592,761	-	-
Operating Transfers In (Out)	(355,000)	(280,000)	(883,546)
Total Other Financing Sources (Uses)	<u>237,761</u>	<u>(280,000)</u>	<u>(883,546)</u>
Net Change in Fund Balances	1,639,033	(293,233)	(521,917)
Fund Balances			
Beginning of Year	<u>5,408,355</u>	<u>1,264,218</u>	<u>1,206,394</u>
End of Year	<u>\$ 7,047,388</u>	<u>\$ 970,985</u>	<u>\$ 684,477</u>

See notes to financial statements.

Impact Fees Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 852,261	\$ 11,649,533
-	529,970	1,575,200
-	36,609	2,148,464
-	-	374,324
-	8,385	388,182
56,904	349,239	634,623
<u>56,904</u>	<u>1,776,464</u>	<u>16,770,326</u>
147,496	88,464	1,616,044
-	544,488	6,175,269
39,779	-	1,990,371
-	347,255	362,669
-	80,458	470,493
-	3,982	56,303
-	1,594,075	2,365,785
-	-	2,899,608
-	-	96,745
<u>187,275</u>	<u>2,658,722</u>	<u>16,033,287</u>
(130,371)	(882,258)	737,039
-	-	592,761
-	1,100,000	(418,546)
<u>-</u>	<u>1,100,000</u>	<u>174,215</u>
(130,371)	217,742	911,254
<u>1,183,423</u>	<u>1,541,797</u>	<u>10,604,187</u>
<u>\$ 1,053,052</u>	<u>\$ 1,759,539</u>	<u>\$ 11,515,441</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Reconciliation of the Net Changes in Fund Balances of
Governmental Funds to the Statement of Activities
Year Ended December 31, 2023

Net Change in Fund Balances - Total Governmental Funds	\$ 911,254
Amounts Reported for Governmental Activities in the Statement of Activities Are Different Because	
Governmental Funds Report Capital Outlays As Expenditures. However, in the Statement of Activities, the Cost of Those Assets is Allocated Over Their Estimated Useful Lives as Depreciation Expense. This is the Amount By Which Capital Outlays of \$1,773,024 Exceeded Depreciation Expense of \$1,170,299, and Net Book Value of \$2,977 of Assets Sold in the Current Year.	599,748
Governmental Funds Report Capital Outlays for Subscription Assets As Expenditures. However, in the Statement of Activities, the Cost of Those Assets Is Allocated Over Their Estimated Useful Lives as Amortization Expense.	(59,276)
Revenues in the Statement of Activities That Do Not Provide Current Financial Resources Are Not Reported As Revenues in the Funds.	
Taxes Receivable	179,107
Repayment of Notes Payable and Software Liability Principal Is An Expenditure in the Governmental Funds, but the Repayment Reduces Liabilities in the Statement of Net Position.	470,493
Some Expenses Reported in the Statement of Activities Do Not Require the Use of Current Financial Resources and, Therefore, Are Not Reported As Expenditures in Governmental Funds.	
Compensated Absences	58,682
Other Benefits Do Not Require the Use of Current Financial Resources and, Therefore, Are Not Reported as Expenditures in Governmental Funds.	
Deferred Pension and Other Post-Employment Benefit Outflows	(45,109)
Net Pension Liability	(855,342)
Other Post-Employment Benefits	268,812
Deferred Pension and Other Post-Employment Benefit Inflows	(612,540)
Change in Net Position of Governmental Activities	<u>\$ 915,829</u>

See notes to financial statements.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Statement of Net Position
Proprietary Funds
December 31, 2023

	<u>Pool Fund</u>	<u>Pool Reserve Fund</u>	<u>Total</u>
Assets			
Current Assets			
Cash	\$ 2,466	\$ 29,415	\$ 31,881
Accounts Receivable	100	-	100
Total Current Assets	<u>2,566</u>	<u>29,415</u>	<u>31,981</u>
Noncurrent Assets			
Net Capital Assets	4,436,654	-	4,436,654
Fair Value of Derivative Instrument	67,815	-	67,815
Total Noncurrent Assets	<u>4,504,469</u>	<u>-</u>	<u>4,504,469</u>
Total Assets	<u>4,507,035</u>	<u>29,415</u>	<u>4,536,450</u>
Liabilities			
Current Liabilities			
Current Portion of General Obligation Note	263,000	-	263,000
Accounts Payable and Accrued Expenses	684	-	684
Due to Other Funds	8,009	-	8,009
Total Current Liabilities	<u>271,693</u>	<u>-</u>	<u>271,693</u>
Noncurrent Liabilities			
General Obligation Note Payable	972,000	-	972,000
Total Liabilities	<u>1,243,693</u>	<u>-</u>	<u>1,243,693</u>
Deferred Inflows of Resources			
Deferred Grant Revenue	-	7,948	7,948
Accumulated Increase in Fair Value of Derivative Instrument	67,815	-	67,815
Total Deferred Inflows of Resources	<u>67,815</u>	<u>7,948</u>	<u>75,763</u>
Net Position			
Invested in Capital Assets, Net of Related Debt	3,201,654	-	3,201,654
Restricted for Capital Projects	-	21,467	21,467
Unrestricted	<u>(6,127)</u>	<u>-</u>	<u>(6,127)</u>
Total Net Position	<u>\$ 3,195,527</u>	<u>\$ 21,467</u>	<u>\$ 3,216,994</u>

See notes to financial statements.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended December 31, 2023

	Pool Fund	Pool Reserve Fund	Total
Operating Revenues			
Charges and Fees	\$ 654,493	\$ -	\$ 654,493
Operating Expenses			
Salaries and Benefits	614,921	-	614,921
Depreciation	205,802	-	205,802
Repairs and Maintenance	52,882	102,604	155,486
Snack Bar	67,272	-	67,272
Utilities	56,467	-	56,467
Pool Supplies	50,530	-	50,530
Other Expenses	13,816	-	13,816
Uniforms	13,094	-	13,094
Office Supplies and Expenses	836	-	836
Total Operating Expenses	<u>1,075,620</u>	<u>102,604</u>	<u>1,178,224</u>
Operating Loss Before Nonoperating Revenues (Expenses)	<u>(421,127)</u>	<u>(102,604)</u>	<u>(523,731)</u>
Nonoperating Revenues (Expenses)			
Operating Grants and Contributions	1,548	-	1,548
Interest Expense	(19,396)	-	(19,396)
Intergovernmental Revenue	-	149,662	149,662
Transfers from (to) Other Funds	444,643	(26,097)	418,546
Total Nonoperating Revenues (Expenses)	<u>426,795</u>	<u>123,565</u>	<u>550,360</u>
Change in Net Position	5,668	20,961	26,629
Net Position			
Beginning of Year	<u>3,189,859</u>	<u>506</u>	<u>3,190,365</u>
End of Year	<u><u>\$ 3,195,527</u></u>	<u><u>\$ 21,467</u></u>	<u><u>\$ 3,216,994</u></u>

See notes to financial statements.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Statement of Cash Flows
Proprietary Funds - Pool Fund
Year Ended December 31, 2023

	Pool Fund	Pool Reserve Fund	Total
Cash Flows from Operating Activities			
Receipts from Customers	\$ 654,493	\$ -	\$ 654,493
Payments to Suppliers	(256,719)	(102,604)	(359,323)
Payments to Employees	(618,519)	-	(618,519)
Net Cash Used in Operating Activities	<u>(220,745)</u>	<u>(102,604)</u>	<u>(323,349)</u>
Cash Flows from Noncapital Financing Activities			
Grants and Contributions	1,548	960	2,508
Transfers from (to) Other Funds	444,643	(26,097)	418,546
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>446,191</u>	<u>(25,137)</u>	<u>421,054</u>
Cash Flows from Capital and Related Financing Activities			
Purchase of Capital Assets	(46,097)	-	(46,097)
Principal Paid on Capital Debt	(164,000)	-	(164,000)
Interest Paid on Capital Debt	(19,396)	-	(19,396)
Net Cash Used in Capital and Related Financing Activities	<u>(229,493)</u>	<u>-</u>	<u>(229,493)</u>
Net Decrease in Cash	(4,047)	(127,741)	(131,788)
Cash			
Beginning of Year	<u>6,513</u>	<u>157,156</u>	<u>163,669</u>
End of Year	<u>\$ 2,466</u>	<u>\$ 29,415</u>	<u>\$ 31,881</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities			
Operating Loss	\$ (421,127)	\$ (102,604)	(523,731)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities			
Depreciation Expense	205,802	-	205,802
Change in Net Assets and Liabilities			
Accounts Payable and Accrued Expenses	(1,822)	-	(1,822)
Due to Other Funds	(3,598)	-	(3,598)
Net Cash Used in Operating Activities	<u>\$ (220,745)</u>	<u>\$ (102,604)</u>	<u>\$ (323,349)</u>

See notes to financial statements.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Statement of Fiduciary Net Position
Pension Trust and Custodial Funds
December 31, 2023

	Pension Trust Funds	Custodial Funds
Assets		
Cash and Cash Equivalents	\$ 321,759	\$ 403,350
Investments	27,711,713	-
Contributions Receivable	19,983	-
Total Assets	<u>28,053,455</u>	<u>403,350</u>
Liabilities		
Due to Other Funds	-	186,629
Accounts Payable	-	23,417
Total Liabilities	<u>-</u>	<u>210,046</u>
Net Position		
Restricted for		
Held in Trust for Pension Benefits	28,053,455	-
Held for Individuals, Organizations and Others	-	193,304
Total Net Position	<u><u>\$ 28,053,455</u></u>	<u><u>\$ 193,304</u></u>

See notes to financial statements.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Statement of Changes in Fiduciary Net Position
Pension Trust and Custodial Funds
Year Ended December 31, 2023

	Pension Trust Funds	Custodial Funds
Additions		
Contributions		
Plan Members	\$ 227,745	\$ -
State	442,919	-
Employer	64,519	-
Total Contributions	<u>735,183</u>	<u>-</u>
Deposits	<u>-</u>	<u>524,678</u>
Investment Income		
Net Increase in Fair Value of Investments	2,935,241	-
Dividends	858,910	-
	<u>3,794,151</u>	<u>-</u>
Less Investment Expense	(74,454)	-
Total Net Investment Income	<u>3,719,697</u>	<u>-</u>
Total Additions	<u>4,454,880</u>	<u>524,678</u>
Deductions		
Benefits	1,795,777	-
Professional Fees	-	429,712
Escrow Releases	-	866,255
Administrative Expense	14,245	-
Total Deductions	<u>1,810,022</u>	<u>1,295,967</u>
Change in Net Position	2,644,858	(771,289)
Net Position		
Beginning of Year	<u>25,408,597</u>	<u>964,593</u>
End of Year	<u><u>\$ 28,053,455</u></u>	<u><u>\$ 193,304</u></u>

See notes to financial statements.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

A. Reporting Entity

The Township’s financial reporting entity comprises the following:

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

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Reporting Entity (continued)

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

Pension Plans - The Police and Non-Uniform Pension Plans are single employer defined benefit pension plans that provide pensions for all eligible uniform and non-uniform employees. Although the plans are separate legal entities they are reported as if they are part of the government as they are governed by the Board of Commissioners and the Township is responsible for funding the plans. The Plans are reported as fiduciary funds and issue separate financial statements.

Fire and Ambulance Services – The Township provides some financial support to the Colmar and Hatfield Fire Companies. Since there is no fiscal dependency, financial benefit or burden relationship, these fire companies have been excluded from the reporting entity. The Township levies and collects real estate taxes designated for allocation among the fire companies. Annual appropriations totaled \$315,000 for the year ended December 31, 2023.

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

Blended Component Units

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

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

Discretely Presented Component Units

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

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

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the reporting government as a whole. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which primarily rely on fees and charges for support. Fiduciary funds are also excluded from the government-wide financial statements.

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and program revenues for each governmental program. Direct expenses are those that are specifically associated with a service, program, or department and are, therefore, clearly identifiable to a particular function. Indirect expenses for centralized services and administrative overhead are allocated among the programs, functions, and segments using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the Township.

Net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other purposes result from special revenue funds and the restrictions on their net position use.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

FUND FINANCIAL STATEMENTS

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures/expenses. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Funds are organized into three major categories: governmental, proprietary and fiduciary.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

FUND FINANCIAL STATEMENTS (continued)

Fund financial statements report detailed information about the Township. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. A fund is considered major if it is the primary operating fund of the Township or if it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
2. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The funds of the financial reporting entity are described below.

Governmental Funds

General Fund - The General Fund is the general operating fund of the Township and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The reporting entity includes the following special revenue funds:

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

FUND FINANCIAL STATEMENTS (continued)

Governmental Funds (continued)

Special Revenue Funds (continued)

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

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

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

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

FUND FINANCIAL STATEMENTS (continued)

Governmental Funds (continued)

Debt Service Fund - This fund is used to account for financial resources that are restricted, committed or assigned to expenditure for principal and interest. This fund is a major fund.

Proprietary Funds

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

Fiduciary Funds

Pension Trust and Agency Funds – Pension Trust Funds (which include the Police and Non-Uniform Pension Plans) and Custodial Funds (which include the Developers Escrow Funds and other agency funds) are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

C. Measurement Focus and Basis of Accounting

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

Measurement Focus

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

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus and Basis of Accounting (continued)

Measurement Focus (continued)

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

1. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
2. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities, whether current or noncurrent, associated with their activities are reported. Proprietary fund equity is classified as net position.
3. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within 60 days after yearend. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary and fiduciary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the liability is incurred or economic asset used.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Cash Equivalents

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

E. Investments and Fair Value

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

F. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds”. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. See Note 10 for details of interfund transactions, including receivables and payables at yearend.

G. Receivables

In the government-wide statements, receivables consist of all revenues earned at yearend and not yet received. No allowance for uncollectible accounts has been provided since management considers all accounts to be collectible. The Township is permitted to lien the resident’s property if the resident does not remit payment. Major receivable balances for the governmental activities include real estate taxes, earned income taxes, grants, and police fines.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as real estate tax, earned income tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund receivables consist of all revenues earned at yearend and not yet received.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All capital assets are valued at historical cost, except for infrastructure acquired before January 1, 2004, which is valued at estimated historical cost less accumulated depreciation. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Donated capital assets are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is shown below.

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

Fund Financial Statements

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

I. Long-Term Obligations

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

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

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Long-Term Obligations (continued)

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. Debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

J. Compensated Absences

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

The Township is liable to employees in the amount of \$157,437 for vested compensatory time at December 31, 2023.

K. Equity Classifications

Government-Wide Statements

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

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

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Equity Classifications (continued)

Fund Statements

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

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

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

Committed – includes amounts that can only be used for specific purposes with constraints that are established by a formal action of the Board of Commissioners (the Board). The constraint can only be changed or removed by another formal action of the Board. The Township's fund balance policy requires passage of a Resolution or an Ordinance by the Board in order to set aside funds as Committed. The Township did not have any committed fund balances at December 31, 2023.

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

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

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

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

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

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Deferred Outflows/Inflows of Resources

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

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

M. Expenditures/Expenses

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

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

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

Proprietary Fund - By Operating and Non-Operating

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

N. Interfund Transfers

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

O. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Stewardship, Compliance, and Accountability

Budgetary Data

The following procedures are used by the Township in establishing budgetary data which is reflected in the financial statements.

1. The Township prepares and advertises a proposed budget at least 20 days before the budget is adopted.
2. Public hearings are conducted to obtain comments from taxpayers regarding the proposed budget.
3. The budget is formally adopted by the Board members prior to December 31.
4. The budget is prepared and adopted using the modified accrual basis of accounting, which is consistent with the basis used by the Township for financial reporting.
5. Amendments may be approved by the Board during the year.

Excess of Expenditures Over Appropriations

The Township has presented budget to actual comparisons for the General, Recycling, Debt Service, Pool and Pool Reserve Funds and all other nonmajor funds. For the year ended December 31, 2023, General and Recycling Fund expenditures exceeded appropriations in various categories by \$379,808 and \$130,959, respectively. The excess expenditures in both funds were funded by greater than anticipated revenues, and the available fund balance carryforward. Additionally, the Pool Fund depreciation expense exceeded appropriations by \$205,802 due to the fact that depreciation expense was not budgeted. Several other categories in the Pool Fund exceeded appropriations by a total of \$106,084. These excess expenditures were funded by the available fund balance carryforward and transfers in.

Q. ADOPTION OF NEW ACCOUNTING STANDARD

Effective January 1, 2023, the Township adopted GASB Statement No. 96 - *Subscription-Based Information Technology Arrangements (SBITA)*. The Township pays subscription fees for several software programs that are used in its operations. These subscriptions are renewable on a year to year basis, but the Township intends to renew them for at least the next ten years before re-evaluating whether another program should be used. In accordance with GASB 96, the Township accounted for its existing SBITA under the new guidance. As a result of the adoption of the new SBITA accounting guidance, the Township recognized on January 1, 2023 subscription liabilities at the present value of the remaining payments on December 31, 2022, of \$592,761 and a right of use asset - subscriptions of \$592,761.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2023

2. CASH AND INVESTMENTS

Cash and investments as of December 31, 2023, are classified in the accompanying financial statements as follows:

Statement of Net Position	
Cash	\$ 11,460,700
Statement of Fiduciary Net Position	
Cash	725,109
Investments	<u>27,711,713</u>
Total Cash and Investments	<u><u>\$ 39,897,522</u></u>

Cash and investments as of December 31, 2023, consist of the following:

Deposits with Financial Institutions	\$ 12,185,809
Investments	<u>27,711,713</u>
Total Cash and Investments	<u><u>\$ 39,897,522</u></u>

A. Cash Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township deposits are entirely insured or collateralized under a pooled asset program to secure public deposits, as required by Act 72 of the Commonwealth of Pennsylvania. As of December 31, 2023, \$11,519,950 of the Township's bank balance of \$12,019,950 was uninsured but collateralized by securities held by the bank or by its trust department or agent, but not in the Township's name.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2023

2. CASH AND INVESTMENTS (continued)

B. Investments

At December 31, 2023, the Township's investments consisted of the following:

Fiduciary Funds	
Mutual Funds	\$ 21,458,496
Unit Investment Trusts	4,149,124
Corporate Bonds	1,251,191
Exchange-Traded Funds	492,768
Money Market Funds	<u>360,134</u>
 Total Investments	 <u><u>\$ 27,711,713</u></u>

Investments Authorized by Township Code

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

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

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. With the exception of money market funds and certificates of deposit held in the fiduciary funds, all of the Township's investments are either invested in securities which are not subject to custodial credit risk because they do not involve a transferable financial instrument or are backed by the full faith and credit of the U.S. Government. The money market funds of \$360,134 are covered by Securities Investor Protection Corporation up to \$250,000.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2023**

2. CASH AND INVESTMENTS (continued)

B. Investments (continued)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating organizations such as Moody's Investor Services (Moody's) and Standard & Poor's (S&P). The Township does not currently have a policy with regard to credit risk. As of December 31, 2023, the Township's investments were rated by Moody's as follows:

	<u>Fair Value</u>	<u>Rating</u>
Investments		
Corporate Bonds	<u>\$ 1,251,191</u>	AA1 – BA2
Total Exposed to Credit Risk	1,251,191	
Not Rated**	<u>26,460,522</u>	
Total Investments	<u><u>\$27,711,713</u></u>	

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

Concentration of Credit Risk

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer. The Township did not have any individual investments that exceeded 5% of total entity investment.

Interest Rate Risk

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

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2023**

2. CASH AND INVESTMENTS (continued)

B. Investments (continued)

Interest Rate Risk (continued)

The Township's investments at December 31, 2023, including the following:

<u>Remaining Maturities</u>	<u>Corporate Bonds</u>
1 Year or Less	\$ 293,253
2 - 5 Years	<u>957,938</u>
Total	<u><u>\$1,251,191</u></u>

The Township's investments shown above have remaining maturity dates that range from the years 2024 to 2028. The securities with longer maturity dates are highly sensitive to interest rate risk.

Fair Value of Investments

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

Information related to the Township's assets measured at fair value on a recurring basis at December 31, 2023, is as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Mutual Funds	\$ 21,458,496	\$ 21,458,496	\$ -	\$ -
Unit Investment Trusts	4,149,124	4,149,124	-	-
Corporate Bonds	1,251,191	1,251,191	-	-
Exchange-Traded Funds	492,768	492,768	-	-
Money Market Funds	<u>360,134</u>	<u>360,134</u>	<u>-</u>	<u>-</u>
Total Investments	<u><u>\$ 27,711,713</u></u>	<u><u>\$ 27,711,713</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2023

3. FIDUCIARY FUNDS – ESCROW FUND

The Escrow Fund is an Agency Fund in that the Township has custodial capacity of funds deposited with it on behalf of developers, other applicants and other municipalities. Custodial Fund net assets of \$193,304 represent the net developer and other balances held at December 31, 2023.

4. PROPERTY TAXES

Taxes are levied on December 31, based on the assessed value established by the Montgomery County Board of Assessments. Bills are sent out on February 1 by the Township's tax collector. Real property in the Township was originally assessed at \$1,262,839,510 for 2023. Property taxes attach as an enforceable lien on property as of December 31. The Township receives all tax collections through its tax collector. The Township is legally permitted to levy up to 30 mills of assessed property valuation for general purposes (35 mills with court approval), and 3 mills for fire tax purposes. The Township had the following millage rates for the year ended December 31, 2023: general purposes, 3.688 mills; fire tax purposes, .620 mills; park and recreation, .220 mills; debt service, .694 mills. Additionally, during 2023, the Township received \$100,000 from real estate tax 'payment in lieu of taxes' agreements.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2023

5. CAPITAL AND RIGHT OF USE ASSETS

Capital and right of use asset activity for the year ended December 31, 2023, was as follows:

	Balance 1/1/23	Additions	Disposals	Balance 12/31/23
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 12,305,771	\$ -	\$ -	\$ 12,305,771
Construction in Progress	106,413	867,787	-	974,200
Total Assets Not being Depreciated	<u>12,412,184</u>	<u>867,787</u>	<u>-</u>	<u>13,279,971</u>
Depreciable Capital Assets				
Land Improvements	1,363,514	-	-	1,363,514
Buildings and Improvements	7,771,803	18,350	-	7,790,153
Park Equipment and Improvements	1,074,214	4,670	-	1,078,884
Equipment	1,024,026	131,256	-	1,155,282
Vehicles	2,818,841	238,977	67,837	2,989,981
Furniture and Fixtures	55,187	-	-	55,187
Infrastructure	29,689,709	511,984	-	30,201,693
Total Depreciable Assets	<u>43,797,294</u>	<u>905,237</u>	<u>67,837</u>	<u>44,634,694</u>
Total at Historical Cost	<u>56,209,478</u>	<u>1,773,024</u>	<u>67,837</u>	<u>57,914,665</u>
Less Accumulated Depreciation				
Land Improvements	589,609	32,223	-	621,832
Buildings and Improvements	3,979,108	211,212	-	4,190,320
Park Equipment and Improvements	628,310	41,328	-	669,638
Equipment	678,171	73,114	-	751,285
Vehicles	2,016,503	238,164	64,860	2,189,807
Furniture and Fixtures	55,187	-	-	55,187
Infrastructure	15,344,299	574,258	-	15,918,557
Total Accumulated Depreciation	<u>23,291,187</u>	<u>1,170,299</u>	<u>64,860</u>	<u>24,396,626</u>
Total Governmental Activities Net Capital Assets	<u>\$ 32,918,291</u>	<u>\$ 602,725</u>	<u>\$ 2,977</u>	<u>\$ 33,518,039</u>
Right of Use Assets	\$ -	\$ 592,761	\$ -	\$ 592,761
Less Accumulated Amortization	<u>-</u>	<u>59,276</u>	<u>-</u>	<u>59,276</u>
Total Right of Use Assets - Subscriptions	<u>\$ -</u>	<u>\$ 533,485</u>	<u>\$ -</u>	<u>\$ 533,485</u>
Business-Type Activities				
Pool	\$ 7,462,369	\$ 46,097	\$ -	\$ 7,508,466
Less Accumulated Depreciation	<u>2,866,010</u>	<u>205,802</u>	<u>-</u>	<u>3,071,812</u>
Total Business-Type Activities Net Capital Assets	<u>\$ 4,596,359</u>	<u>\$ (159,705)</u>	<u>\$ -</u>	<u>\$ 4,436,654</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2023

5. CAPITAL ASSETS (continued)

Depreciation expense was charged to programs as follows:

Governmental Activities	
Depreciation Expense	
General Government	\$ 128,337
Police	178,678
Highway Maintenance	762,570
Parks and Recreation	98,918
Code Enforcement	1,796
Total Depreciation Expense	<u>1,170,299</u>
Amortization Expense	59,276
Business-Type Activities	
Pool	<u>205,802</u>
Total Depreciation and Amortization Expense	<u><u>\$ 1,435,377</u></u>

6. LONG-TERM OBLIGATIONS

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

	Balance 1/1/23	Additions	Reductions	Balance 12/31/23	Due Within One Year
Governmental Activities					
General Obligation Notes					
2003 General Obligation Note - Series A	\$ 64,000	\$ -	\$ 64,000	\$ -	\$ -
2003 General Obligation Note - Series B	130,000	-	130,000	-	-
2011 General Obligation Note - Series B	745,000	-	-	745,000	103,000
2019 General Obligation Note	298,000	-	147,000	151,000	151,000
2020 General Obligation Note	788,000	-	1,000	787,000	1,000
Equipment Notes Payable					
LED Lights	52,147	-	12,522	39,625	12,897
Street Sweeper	55,026	-	55,026	-	-
John Deere Tractor	51,723	-	25,432	26,291	26,291
Subscription Liabilities	-	592,761	35,513	557,248	46,286
Compensated Absences	216,119	-	58,682	157,437	-
Business-Type Activities					
General Obligation Notes					
2006 General Obligation Note	665,000	-	163,000	502,000	165,000
2011 General Obligation Note - Series A	734,000	-	1,000	733,000	98,000
	<u>\$ 3,799,015</u>	<u>\$ 592,761</u>	<u>\$ 693,175</u>	<u>\$ 3,698,601</u>	<u>\$ 603,474</u>

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2023**

6. LONG-TERM OBLIGATIONS (continued)

A. 2003 General Obligation Note - Series A and B

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

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

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

Additionally, in 2015, the Township entered into a fixed rate conversion for a portion of the 2003 Notes, Series A and B. The purpose of the conversion is to provide more level annual debt service payments. As a result of this conversion, \$375,000 of principal was shifted from the Series B notes to the Series A notes. The new fixed rate for the portions of the notes that were converted is 1.7315% per annum.

These notes were paid in full in 2023.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2023**

6. LONG-TERM OBLIGATIONS (continued)

B. 2006 General Obligation Note

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

Additionally, the Township executed a fixed rate swap agreement, which fixed its interest rate for 75% of the original note proceeds (see Note 15). The fixed rate terminated effective August 25, 2020. In August 2020 the Township requested and received a new fixed rate of 1.088% and 1.870%, respectively, for the series A and C notes. Principal payments are due on August 25 of each year as shown below. These notes were issued for the purpose of constructing a new municipal pool complex. These notes were issued as non-electoral debt. The Township has pledged its full faith and taxing power, and is required to include in its budget for each year the amount of debt service on the notes, which will be payable in such fiscal year.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2023**

6. LONG-TERM OBLIGATIONS (continued)

B. 2006 General Obligation Note (continued)

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

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

<u>Year</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Total Debt Service</u>
2024	\$ 165,000	1.088 - 1.875%	\$ 7,154	\$ 172,154
2025	171,000	1.088 - 1.875%	4,485	175,485
2026	166,000	1.088 - 1.875%	1,779	167,779
	<u>\$ 502,000</u>		<u>\$ 13,418</u>	<u>\$ 515,418</u>

C. 2011 General Obligation Note - Series A and B

On January 25, 2014, the Township issued General Obligation Notes in the amount of \$745,000 (Series A) and \$745,000 (Series B) through the Delaware Valley Regional Finance Authority. The Township executed a fixed rate swap agreement (see Note 15), which fixed its interest rate for the note proceeds at 2.42% (Series A) and 3.10% (Series B). In 2017, the rate on the Series A note reset to 2.008%. Principal payments are due on January 25 of each year as shown below. These notes were issued for the purpose of refunding the variable portions of the 2003 (Series A and B) and 2006 General Obligation Bonds. These notes were issued as non-electoral debt. The Township has pledged its full faith and taxing power, and is required to include in its budget for each year the amount of debt service on the notes, which will be payable in such fiscal year.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2023**

6. LONG-TERM OBLIGATIONS (continued)

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

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

<u>Year</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Total Debt Service</u>
Series A				
2024	\$ 98,000	2.008%	\$ 13,735	\$ 111,735
2025	100,000	2.008%	11,747	111,747
2026	103,000	2.008%	9,709	112,709
2027	105,000	2.008%	7,620	112,620
2028	107,000	2.008%	5,492	112,492
2029 - 2030	<u>220,000</u>	2.008%	<u>4,438</u>	<u>224,438</u>
	<u>\$ 733,000</u>		<u>\$ 52,741</u>	<u>\$ 785,741</u>
Series B				
2024	\$ 103,000	1.799%	\$ 12,476	\$ 115,476
2025	98,000	1.799%	10,668	108,668
2026	102,000	1.799%	8,869	110,869
2027	105,000	1.799%	7,007	112,007
2028	109,000	1.799%	5,082	114,082
2029 - 2030	<u>228,000</u>	1.799%	<u>4,138</u>	<u>232,138</u>
	<u>\$ 745,000</u>		<u>\$ 48,240</u>	<u>\$ 793,240</u>

D. 2019 General Obligation Note

On February 25, 2019, the Township issued a General Obligation Note in the amount of \$720,000 through the Delaware Valley Regional Finance Authority. The Township executed a fixed rate swap agreement (see Note 15), which fixed its interest rate for the note proceeds at 2.248% per annum. Principal payments are due on February 25 of each year. This note was issued for the purpose of making capital improvements to Township facilities, and was issued as non-electoral debt. The Township has pledged its full faith and taxing power, and is required to include in its budget for each year the amount of debt service on the note, that is payable in such fiscal year.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2023

6. LONG-TERM OBLIGATIONS (continued)

D. 2019 General Obligation Note (continued)

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

<u>Year</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Total Debt Service</u>
2024	\$ 151,000	2.2480%	\$ 566	\$ 151,566

E. 2020 General Obligation Note

In August 2020, the Township issued a General Obligation Note in the amount of \$790,000 through the Delaware Valley Regional Finance Authority. The Township executed a fixed rate swap agreement (see Note 15), which fixed its interest rate for the note proceeds at 1.088% per annum. Principal payments are due on August 25 of each year. This note was issued for the purpose of purchasing land for future expansion, and was issued as non-electoral debt. The Township has pledged its full faith and taxing power, and is required to include in its budget for each year the amount of debt service on the note, that is payable in such fiscal year.

<u>Year</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Total Debt Service</u>
2024	\$ 1,000	1.0880%	\$ 8,559	\$ 9,559
2025	26,000	1.0880%	8,457	34,457
2026	26,000	1.0880%	8,175	34,175
2027	27,000	1.0880%	7,888	34,888
2028	27,000	1.0880%	7,594	34,594
2029 - 2033	140,000	1.0880%	33,482	173,482
2034 - 2038	148,000	1.0880%	25,651	173,651
2039 - 2043	157,000	1.0880%	17,372	174,372
2044 - 2048	166,000	1.0880%	8,624	174,624
2049 - 2050	69,000	1.0880%	881	69,881
	<u>\$ 787,000</u>		<u>\$ 126,683</u>	<u>\$ 913,683</u>

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2023**

6. LONG-TERM OBLIGATIONS (continued)

F. Interest Expense

Interest expense during the year on all the above-noted long-term debt totaled \$52,937.

7. EQUIPMENT NOTES PAYABLE

The Township has several lease agreements for the acquisition of a street sweeper, tractor, and LED street lighting, that are considered financed purchases, and thus follow the reporting requirements for long-term debt. The leases expire at various dates through 2026. The capitalized cost of the equipment is \$240,340 and accumulated depreciation is \$83,181 at December 31, 2023. At December 31, 2023, future lease payments are due as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 39,187	\$ 1,884	\$ 41,071
2025	13,282	610	13,892
2026	13,447	213	13,660
	<u>\$ 65,916</u>	<u>\$ 2,707</u>	<u>\$ 68,623</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2023

8. SUBSCRIPTION LIABILITIES

The Township has entered into several subscriptions of software programs. Each agreement is renewable annually with small percentage increases each year anticipated. The Township anticipates renewing these subscriptions for at least the next ten years, at which point they will be re-evaluated. The subscription liabilities are measured at the present value of the future minimum payments expected to be made at a discount rate of 1.57%, which is the rate on the Township's variable rate general obligation note as of December 31, 2022. In 2023, the Township recognized \$4,004 of subscription expense and \$970 of interest expense under these leases.

The Township's future subscription payments are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2024	\$ 46,286	\$ 21,398	\$ 67,684
2025	49,756	19,621	69,377
2026	53,401	17,710	71,111
2027	57,229	15,660	72,889
2028	61,249	13,462	74,711
2029-2032	<u>289,327</u>	<u>11,110</u>	<u>300,437</u>
	<u>\$ 557,248</u>	<u>\$ 98,961</u>	<u>\$ 656,209</u>

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2023**

9. FUND BALANCE CLASSIFICATIONS

	General Fund	Recycling Fund	Debt Service Fund	Impact Fees Fund	Nonmajor Governmental Funds	Total
Nonspendable	\$ 28,942	\$ -	\$ -	\$ -	\$ -	\$ 28,942
Restricted for:						
Debt Service	-	-	6,712	-	-	6,712
Highway Improvements	-	-	-	1,046,080	356,135	1,402,215
Fire Protection	-	-	-	-	1,543	1,543
	-	-	6,712	1,046,080	357,678	1,410,470
Assigned for:						
Capital Acquisition or Construction	-	-	-	-	1,361,291	1,361,291
Highway Improvements	-	-	-	6,972	-	6,972
Fire Protection	-	-	-	-	5,015	5,015
Parks and Recreation	-	-	-	-	59,923	59,923
Community Recycling	-	970,985	-	-	-	970,985
Debt Service	-	-	677,765	-	-	677,765
	-	970,985	677,765	6,972	1,426,229	3,081,951
Unassigned	7,018,446	-	-	-	(24,368)	6,994,078
Total Fund Balances	\$7,047,388	\$ 970,985	\$ 684,477	\$1,053,052	\$ 1,759,539	\$11,515,441

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2023

10. INTERFUND TRANSACTIONS

Interfund transactions are as follows:

Purpose	Receivable Fund	Payable Fund	Amount
Due To/From			
Operating Costs Advance	General	Pool	\$ 8,009
Operating Costs Advance	General	Nonmajor Funds	\$ 9,017
Escrow Admin Fees	General	Custodial	\$ 186,629
Tax Revenues	Debt Service	General	\$ 755
Transfers			
Capital Purchases	Nonmajor Fund	Nonmajor Fund	\$ 329,590
Capital Purchases	Pool	Recycling	\$ 215,000
Capital Purchases	Pool	Nonmajor Fund	\$ 46,097
Capital Purchases	Nonmajor Fund	Recycling	\$ 90,000
Debt Service	Pool	Debt Service	\$ 183,546
Capital Purchases	Recycling	General	\$ 25,000
Capital Purchases	Nonmajor Fund	General	\$ 330,000
Capital Purchases	Nonmajor Fund	Debt Service	\$ 700,000

11. DEFERRED COMPENSATION PLANS

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

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

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

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2023**

12. DEFINED BENEFIT PENSION PLANS

A. Summary of Significant Accounting Policies

Basis of Accounting

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

Method Used to Value Investments

Investments are reported at fair value. The Plan's assets are managed by Charles Schwab.

B. Plan Descriptions

Plan Administration

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

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

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2023**

12. DEFINED BENEFIT PENSION PLANS (continued)

B. Plan Descriptions (continued)

Plan Membership

At December 31, 2023, plan membership consisted of the following:

	<u>Police</u>	<u>Non-Uniform</u>
Active Employees	32	8
Retirees and Beneficiaries Currently Receiving Benefits	25	20
Terminated Employees Entitled to Benefits but Not Yet Receiving Them	<u>1</u>	<u>6</u>
Total	<u><u>58</u></u>	<u><u>34</u></u>

Benefits Provided

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

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

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2023**

12. DEFINED BENEFIT PENSION PLANS (continued)

B. Plan Descriptions (continued)

Benefits Provided (continued)

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

Covered Employees:	All full-time non-uniformed employees employed by the Township prior to January 1, 2013.
Normal Retirement:	Age 65 and the completion of 10 years of credited service.
Early Retirement:	Age 55 with 25 years of service, or age 62 with 10 years of service, if earlier.
Vesting:	None for the first five years of service; thereafter 100%.
Retirement Benefit:	The monthly pension shall be 30% of average compensation, based on three highest consecutive years, plus 30% of average compensation in excess of \$2,083. Total benefit is reduced 1/25 th for each year of service less than 25 by retirement.
Death Benefit	
Before Retirement:	Beneficiary receives the present value of the accrued pension benefit at the date of death.
After Retirement:	The form of benefit payment in force for such participant at the time death occurs.
Disability Benefit:	After 6 months of disability, the actuarial equivalent of accrued benefits is payable to those participants who become totally and permanently disabled.
Other Benefits	
Late Retirement:	Normal Retirement Benefit based on the Final Monthly Average Compensation and years of credited service as calculated at actual retirement.
Vesting Benefit:	Accrued Benefit at date of termination multiplied by the vested percentage; payable at Normal Retirement.
Member Contributions Rate:	1.5% per annum

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2023**

12. DEFINED BENEFIT PENSION PLANS (continued)

B. Plan Descriptions (continued)

Contributions

For the Police Plan, participating employees can be required to contribute 5% of their salary to the Plan. For the year 2023, members contributed 5% of their salary to the Plan. If a participating employee leaves covered employment of the Township, other than due to employment-connected death or disability, before 12 years of credited service, accumulated employee contributions plus related investment earnings are refunded to the employee or to a designated beneficiary.

For the NU Plan, effective January 1, 2013, participating employees are required to contribute 1.5% of their salary to the Plan. If a participating employee leaves covered employment of the Township, other than due to employment-connected death or disability, before five years of credited service, accumulated employee contributions plus related investment earnings are refunded to the employee or to a designated beneficiary.

The Township's funding policy provides for actuarially determined periodic contributions at rates that, for individual employees, increase gradually over time so that sufficient assets will be available to pay benefits when due. The employer's contribution rate for normal cost is determined using the Entry Age Normal Actuarial Funding Method.

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

C. Investments

Investment Policy

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

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2023**

12. DEFINED BENEFIT PENSION PLANS (continued)

C. Investments (continued)

Investment Policy (continued)

The Committees' adopted asset allocation policy as of December 31, 2023, is as follows:

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

Concentrations

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer. The Township did not have more than 5% of entity investments in any one investment.

Rate of Return

For the year ended December 31, 2023, the annual money-weighted rate of return on Police Plan and NU Plan investments, net of pension plan investment expense, was 15.1% for both plans. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amounts actually invested.

D. Deferred Retirement Option Program (DROP)

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

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

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2023**

12. DEFINED BENEFIT PENSION PLANS (continued)

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

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

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

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

As of December 31, 2023, there were four participants in the DROP program. The balance in the DROP account at December 31, 2023 was \$567,748.

E. Net Pension Liability of the Township

The components of the net pension liabilities of the Township at December 31, 2023, were as follows:

	<u>Police</u>	<u>Non-Uniform</u>
Total Pension Liability	\$ 28,155,303	\$ 5,529,271
Plan Fiduciary Net Position	<u>(23,426,141)</u>	<u>(4,531,170)</u>
Township's Net Pension Liability (Asset)	<u>\$ 4,729,162</u>	<u>\$ 998,101</u>
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	83.2%	81.9%

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2023**

12. DEFINED BENEFIT PENSION PLANS (continued)

E. Net Pension Liability of the Township (continued)

Actuarial Assumptions

The total pension liability for both plans was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2023, using the following actuarial assumptions, applied to all period included in the measurement.

	<u>Per Year</u>
Salary Increases	5%
Investment Rate of Return	8%
Inflation	3%

Mortality rate table based on the PubG-2010 mortality table, including rates for disabled retirees and contingent survivors. Incorporated into the table are rates projected generationally using Scale MP-2021 to reflect mortality improvement.. No pre-retirement mortality is assumed.

The actuarial assumptions used in the December 31, 2023, valuation were based on the results of an actuarial experience study for the two year period ended January 1, 2023.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of December 31, 2023 are summarized in the following table:

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

Discount Rate

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

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2023

12. DEFINED BENEFIT PENSION PLANS (continued)

E. Net Pension Liability of the Township (continued)

Changes in the Net Pension Liability

Changes in the net pension liability for the year ended December 31, 2023, are as follows:

	Police Pension Plan Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) – (b)
Balance at December 31, 2022	\$ 24,903,976	\$ 20,941,057	\$ 3,962,919
Changes for the Year			
Service Cost	563,300	-	563,300
Interest	2,360,731	-	2,360,731
Difference Between Expected and Actual Experience	65,819	-	65,819
Changes in Assumptions	1,382,092	-	1,382,092
Contributions - Employer	-	347,208	(347,208)
Contributions - Employee	-	180,748	(180,748)
Net Investment Gain	-	3,077,743	(3,077,743)
Benefit Payments	(1,120,615)	(1,120,615)	-
Administrative Expense	-	-	-
Net Changes	3,251,327	2,485,084	766,243
Balances at December 31, 2023	\$ 28,155,303	\$ 23,426,141	\$ 4,729,162

	Non-Uniform Pension Plan Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) – (b)
Balance at December 31, 2022	\$ 5,077,531	\$ 4,168,529	\$ 909,002
Changes for the Year			
Service Cost	99,061	-	99,061
Interest	421,654	-	421,654
Difference Between Expected and Actual Experience	(96,577)	-	(96,577)
Changes in Assumptions	353,722		353,722
Contributions - Employer	-	85,092	(85,092)
Contributions - Employee	-	12,583	(12,583)
Net Investment Gain	-	605,331	(605,331)
Benefit Payments	(326,120)	(326,120)	-
Administrative Expense	-	(14,245)	14,245
Net Changes	451,740	362,641	89,099
Balances at December 31, 2023	\$ 5,529,271	\$ 4,531,170	\$ 998,101

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2023**

12. DEFINED BENEFIT PENSION PLANS (continued)

E. Net Pension Liability of the Township (continued)

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

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

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
Net Police Pension Liability (Asset)	\$7,930,598	\$4,729,162	\$2,047,974
Net Non-Uniform Pension Liability (Asset)	\$1,626,869	\$998,101	\$465,402

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

For the year ended December 31, 2023, the Township recognized pension expense of \$1,365,258 in the Police Plan. At December 31, 2023, the Township reported deferred outflows and inflows of resources related to the Police Pension Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 70,974	\$ (221,801)
Changes of Assumptions	1,184,650	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	<u>3,748,760</u>	<u>(1,758,557)</u>
	<u>\$ 5,004,384</u>	<u>\$(1,980,358)</u>

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

Year Ending December 31,	Amount
2024	\$ 660,688
2025	849,563
2026	1,174,838
2027	(74,749)
2028	206,844
Thereafter	<u>206,842</u>
	<u>\$ 3,024,026</u>

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2023**

12. DEFINED BENEFIT PENSION PLANS (continued)

E. Net Pension Liability of the Township (continued)

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

For the year ended December 31, 2023, the Township recognized pension expense of \$288,350 in the Non-Uniform Plan. At December 31, 2023, the Township reported deferred outflows and inflows of resources related to the Non-Uniform Pension Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ (79,949)
Changes of Assumptions	235,814	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	<u>751,172</u>	<u>(354,357)</u>
	<u><u>\$ 986,986</u></u>	<u><u>\$ (434,306)</u></u>

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

Year Ending December 31,	Amount
2024	\$ 179,402
2025	235,510
2026	194,076
2027	<u>(56,308)</u>
	<u><u>\$ 552,680</u></u>

13. NON-UNIFORM DEFINED CONTRIBUTION PENSION PLAN

The Township offers a pension plan to its full time, non-uniformed employees hired after December 31, 2012. Under this plan, participants are required to contribute 1.5% of their compensation each year. The Township is required to contribute from 3% to 8% of the participant's compensation, depending on their years of service. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. For the year ended December 31, 2023, there were twenty participants in this plan, and the Township contribution to the plan was \$68,747.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2023**

14. POST-EMPLOYMENT BENEFITS

A. Police

Voluntary Employees Beneficiary Association (VEBA)

In addition to the pension benefits described in Note 12, the Township provides post-employment health care benefits through a defined contribution plan, in accordance with the retiree medical plan, to all uniformed employees who retire from the Township in accordance to the criteria listed in Note 12.

The Township makes yearly contributions to a medical reimbursement account established on behalf of each eligible employee, based on years of service as of the effective date of the plan. As required by the union contract, there was no contribution required for the year ended December 31, 2023. Employees are not required to contribute to the plan.

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

The plan became effective January 1, 2004. Currently, there are six retirees receiving benefits and no uniformed employees have received contributions in their medical reimbursement account for 2023.

Post-Retirement Health Benefits

Benefits Provided

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

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

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2023**

14. POST-EMPLOYMENT BENEFITS

A. Police (continued)

Post-Retirement Health Benefits (continued)

Employees Covered by the Plan

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

Active Employees	28
Retirees and Beneficiaries Currently Receiving Benefits	4
Terminated Employees Entitled to Benefits but Not Yet Receiving Them	<u>0</u>
Total	<u><u>32</u></u>

Contributions

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

Method Used to Value Investments

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

Long-Term Expected Rate of Return

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

Net OPEB Liability

An actuarial valuation of the total OPEB liability is performed biannually. The total OEPB liability as of December 31, 2023 was determined as part of an actuarial valuation at January 1, 2023. Update procedures were used to roll forward to the municipality's fiscal year ending December 31, 2023. This report was based upon the Plan's actuarial assumptions, asset valuation method and cost method as described below:

Actuarial Assumptions:

Valuation Method	Entry Age Normal
Discount Rate	4.31%
Salary Increases	5.0% per year
Investment Rate of Return	n/a
Healthcare Cost Trend Rate	Medical costs assumed to increase by 6.0% in 2023, and 5.5% in 2024 and 2025, then reduced from 5.4% in 2026 to 3.9% in 2075
Mortality Rates	RP2000 Table

Discount Rate

The discount rate used to measure the total OPEB liability was 4.31%, and is based on the S&P Municipal Bond 20-year High Grade Rate Index at January 1, 2023.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2023**

14. POST-EMPLOYMENT BENEFITS

A. Police (continued)

Post-Retirement Health Benefits (continued)

Net OPEB Liability Sensitivity – Discount Rate

The following is a sensitivity analysis of the net OPEB liability to changes in the discount rate. The table below presents the net OPEB liability calculated using the discount rate of 4.31% as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.31%) or 1 percentage point higher (5.31%) than the current rate.

	<u>1% Decrease (3.31%)</u>	<u>Current Discount Rate (4.31%)</u>	<u>1% Increase (5.31%)</u>
Net OPEB Liability	\$1,158,478	\$1,047,988	\$998,785

Net OPEB Liability Sensitivity – Healthcare Trend

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

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net OPEB Liability	\$986,822	\$1,047,988	\$1,175,242

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2023

14. POST-EMPLOYMENT BENEFITS

A. Police (continued)

Post-Retirement Health Benefits (continued)

Changes in the Net OPEB Liability

Changes in the net OPEB liability for the year ended December 31, 2023, are as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at December 31, 2022	\$ 1,343,800	\$ -	\$ 1,343,800
Changes for the Year			
Service Cost	61,349	-	61,349
Interest	31,107	-	31,107
Difference Between Expected and Actual Experience	(119,282)	-	(119,282)
Changes in Assumptions	(200,231)	-	(200,231)
Contributions - Employer	-	-	-
Contributions - Employee	-	-	-
Net Investment Income	-	-	-
Benefit Payments	(41,755)	-	(41,755)
Administrative Expense	-	-	-
Net Changes	(268,812)	-	(268,812)
Balances at December 31, 2023	<u>\$ 1,074,988</u>	<u>\$ -</u>	<u>\$ 1,074,988</u>

B. Expense and Deferred Outflows Related to OPEB

For the year ended December 31, 2023, the Township recognized OPEB expense of \$70,983. At December 31, 2023, the Township reported deferred outflows of resources related to the OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 65,331	\$ (191,468)
Change of Assumptions	139,979	(225,582)
Benefit Payments Subsequent to the Measurement Date	48,112	-
	<u>\$ 253,422</u>	<u>\$ (417,050)</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2023

14. POST-EMPLOYMENT BENEFITS

A. Police (continued)

Post-Retirement Health Benefits (continued)

OPEB Expense and Deferred Outflows Related to OPEB (continued)

The \$48,112 reported as deferred outflows of resources related to the OPEB plan resulting from Township contributions subsequent to the measurement date will be recognized as reduction of the net OPEB liability in the year ended December 31, 2023. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year</u>	<u>Amount</u>
2024	\$ (21,473)
2025	(21,473)
2026	(21,473)
2027	(21,473)
2028	(21,476)
Thereafter	<u>(104,372)</u>
	<u><u>\$ (211,740)</u></u>

B. Non-Uniform

Effective January 1, 2007, the Township adopted a retirement health savings plan for non-uniformed employees. In 2023, the Township contributed 1.5% of the salary of full-time, non-uniformed employees, or \$40,905. Employees are not required to contribute to the plan.

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

Currently, there are 13 retirees receiving benefits and 28 non-uniformed employees are receiving contributions.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2023**

15. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

A. 2006 General Obligation Note

As described in Note 6, Item B, the Township entered into a fixed rate swap agreement. The agreement applies to the total amount of the notes outstanding. The purpose of this agreement is to hedge the risk of change in the interest rates and to assist the Township in stabilizing the cash flow requirements needed to service the outstanding amounts (also defined as the “notional amount”). The interest rate swap agreement began in 2009 and ends on the date concurrent with the final payment of the loan.

<u>Note</u>	<u>Principal</u>	<u>Interest Rate</u>
2006, Note a	\$ 174,000	1.088%
2006, Note b	162,000	1.875%
2006, Note c	<u>166,000</u>	1.088%
	<u>\$ 502,000</u>	

With the execution of the fixed rate swap agreement and in accordance with GASB No. 53, “Accounting and Financial Reporting for Derivative Instruments”, the Township accounts for the interest rate swap as a hedging derivative. The swap agreement has been determined to be effectively hedged under both the consistent critical terms and quantitative methods standards of GASB 53. As such, the change in fair value of the swap agreement has been reflected as a deferred inflow of resources in the Statement of Net Position. The market value of the interest rate swap in favor of the Township as of December 31, 2023, was \$15,914 and is recorded as a business-type activity in the statement of net position.

B. 2011 General Obligation Note, Series A and B

As described in Note 6, Item C, the Township entered into another fixed rate swap agreement. The agreement applies to the total amount of the notes outstanding. The purpose of this agreement is to hedge the risk of change in the interest rates and to assist the Township in stabilizing the cash flow requirements needed. This interest rate swap agreement began in 2011 and ends on the date concurrent with the final payment of the loan.

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

<u>Note</u>	<u>Principal</u>	<u>Interest Rate</u>
2011, Series A	\$ 733,000	2.008%
2011, Series B	<u>745,000</u>	1.799%
	<u>\$ 1,478,000</u>	

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2023**

15. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES (continued)

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

With the execution of the fixed rate swap agreement and in accordance with GASB No. 53, "Accounting and Financial Reporting for Derivative Instruments", the Township accounts for the interest rate swap as a hedging derivative. The swap agreement has been determined to be effectively hedged under both the consistent critical terms and quantitative methods standards of GASB 53. As such, the change in fair value of the swap agreement has been reflected as a deferred inflow of resources in the Statement of Net Position. For Series A, the market value of the interest rate swap in favor of the Township as of December 31, 2023, was \$51,901 and is recorded in the business-type activity in the statement of net position. For Series B, the market value of the interest rate swap in favor of the Township as of December 31, 2023, was \$34,333 and is recorded in the governmental funds in the statement of net position.

D. 2019 and 2020 General Obligation Notes

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

Under the interest rate swap agreement, the Township is required to make monthly interest payments at the following fixed interest rates over the remaining term of the loan. The nominal amounts on this swap are \$720,000 and \$790,000, respectively, and the interest rate is 2.248% and 1.088%, respectively.

With the execution of the fixed rate swap agreement and in accordance with GASB No. 53, "Accounting and Financial Reporting for Derivative Instruments", the Township accounts for the interest rate swap as a hedging derivative. The swap agreement has been determined to be effectively hedged under both the consistent critical terms and quantitative methods standards of GASB 53. As such, the change in fair value of the swap agreement has been reflected as a deferred inflow of resources in the Statement of Net Position. The market value of the interest rate swap in favor of the Township as of December 31, 2023, for the 2019 Note was \$373 and is recorded in the government funds in the statement of net position. The market value of the interest rate swap in favor of the Township as of December 31, 2023, for the 2020 Note was \$253,803 and is recorded in the government funds in the statement of net position.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2023

15. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES (continued)

E. Derivative Instrument Activity

	Government-Type Activity				
	2003 GON	2011 GON Series B	2019 GON	2020 GON	Total
Fair Value of Derivative Instrument on December 31, 2022	\$ 1,332	\$ 57,751	\$ 2,982	\$ 306,970	\$ 369,035
Change in Fair Value	(1,332)	(23,418)	(2,609)	(53,167)	(80,526)
Fair Value of Derivative Instrument on December 31, 2023	<u>\$ -</u>	<u>\$ 34,333</u>	<u>\$ 373</u>	<u>\$ 253,803</u>	<u>\$ 288,509</u>
	Business-Type Activity				
	2006 GON	2011 GON Series A	Total		
Fair Value of Derivative Instrument on December 31, 2022	\$ 31,341	\$ 79,948	\$ 111,289		
Change in Fair Value	(15,427)	(28,047)	(43,474)		
Fair Value of Derivative Instrument on December 31, 2023	<u>\$ 15,914</u>	<u>\$ 51,901</u>	<u>\$ 67,815</u>		

F. Risks

Credit Risk

At December 31, 2023, the Township has exposure to credit risk in the amount of the derivative's fair value.

Termination Risk

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

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2023

16. RISK MANAGEMENT

The Township is exposed to various kinds of loss related to limited torts; theft of, and damage to and destruction of assets; errors and omissions; and natural disasters for which the Township carries commercial insurance.

a. Health Care Coverage

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

b. Workers' Compensation Coverage

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

c. Insurance Coverage

The Township participates in the Delaware Valley Property Liability Trust (DVPLT). DVPLT is a regional risk sharing pool that provides commercial, liability and bonding coverage for the Township.

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

17. CONTINGENCIES

The Township is party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. While the outcome of the above-noted proceedings cannot be predicted due to the insurance coverage maintained by the Township, management feels that any settlement or judgment not covered by insurance would not materially affect the financial condition of the Township.

18. COMMITMENTS

Fire Company Contribution

In November 2016, the Commissioners approved a resolution to contribute a total of \$1,500,000 to the Colmar Volunteer Fire Company, to be used for the design, permitting and construction of a new fire station. This contribution is to be paid in annual increments of \$100,000 over 15 years. Payment of these funds is contingent upon the review and approval of the project design, management and construction. The Township paid them \$155,325 during the year ended December 31, 2023.

Construction Commitments

In December 2023, the Township awarded bids totaling approximately \$16,500,000 to various contractors for the construction of a new Police Station Complex. The construction is projected to begin in 2024, and be completed by the end of 2025. Subsequent to year end, additional commitments of approximately \$2,700,000 were made to contractors for this project.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2023**

19. SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 6, 2024, the date the financial statements were available to be issued, and determined that the following should be disclosed.

Issuance of New Debt

In January 2024, the Township issued a General Obligation Note in the amount of \$21,000,000, through the Delaware Valley Regional Finance Authority. Principal payments are due on December 25 of each year. Interest is payable monthly at a variable rate of interest with a maximum of 15%. This note was issued for the purpose of the construction of a Police Station Complex, and other capital projects, and was issued as non-electoral debt. The Township has pledged its full faith and taxing power, and is required to include in its budget for each year the amount of debt service on the note, that is payable in such fiscal year.

Agreements of Sale

In January 2024, the Township was notified that it had been awarded a FEMA grant in the amount of \$1,600,000 to be used to purchase four flood damaged homes, which will be demolished. In April and May 2024, the Township executed agreements of sale for three of the four properties, for amounts totaling \$1,232,000. Settlement on these properties is expected to occur by August 31, 2024.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Required Supplementary Information
Schedule of Changes in the Township's Net Pension Liability and Related Ratios
Police Pension Plan
December 31, 2023
(Unaudited)

	Measurement Date as of December 31,				
	2023	2022	2021	2020	2019
Total Pension Liability					
Service Cost	\$ 563,300	\$ 518,790	\$ 494,086	\$ 474,721	\$ 452,115
Interest	2,360,731	1,852,953	1,811,035	1,704,822	1,602,435
Differences Between Expected and Actual Experience	65,819	-	25,478	-	(776,306)
Changes of Assumptions	1,382,092	-	-	-	-
Benefit Payments (Including Refunds of Member Contributions)	(1,120,615)	(1,293,645)	(954,776)	(934,407)	(850,716)
Net Change in Total Pension Liability	3,251,327	1,078,098	1,375,823	1,245,136	427,528
Total Pension Liability					
Beginning of Year	24,903,976	23,825,878	22,450,055	21,204,919	20,777,391
End of Year	<u>\$28,155,303</u>	<u>\$24,903,976</u>	<u>\$23,825,878</u>	<u>\$22,450,055</u>	<u>\$21,204,919</u>
Plan Fiduciary Net Position					
Contributions					
Employer	\$ 347,208	\$ 337,633	\$ 1,040,054	\$ 921,489	\$ 912,661
Member	180,748	175,788	177,752	168,739	159,800
Net Investment Income (Loss)	3,077,743	(4,204,871)	2,903,847	2,555,821	3,270,742
Benefit Payments (Including Refunds of Member Contributions)	(1,120,615)	(1,293,645)	(954,776)	(934,407)	(850,716)
Administrative Expense	-	(4,500)	(8,700)	(8,900)	-
Net Change in Plan Fiduciary Net Position	2,485,084	(4,989,595)	3,158,177	2,702,742	3,492,487
Plan Fiduciary Net Position					
Beginning of Year	20,941,057	25,930,652	22,772,475	20,069,733	16,577,246
End of Year	<u>\$23,426,141</u>	<u>\$20,941,057</u>	<u>\$25,930,652</u>	<u>\$22,772,475</u>	<u>\$20,069,733</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Required Supplementary Information
Schedule of Changes in the Township's Net Pension Liability and Related Ratios
Police Pension Plan
December 31, 2023
(Unaudited)

	Measurement Date as of December 31,				
	2023	2022	2021	2020	2019
(Continued)					
Township's Ending Net Pension Liability (Asset)	<u>\$ 4,729,162</u>	<u>\$ 3,962,919</u>	<u>\$ (2,104,774)</u>	<u>\$ (322,420)</u>	<u>\$ 1,135,186</u>
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	83.2%	84.1%	108.8%	101.4%	94.6%
Covered Employee Payroll	<u>\$ 3,138,452</u>	<u>\$ 3,583,301</u>	<u>\$ 3,301,433</u>	<u>\$ 3,305,974</u>	<u>\$ 3,312,700</u>
Township's Net Pension Liability (Asset) As a Percentage of Covered Employee Payroll	150.7%	110.6%	(63.8)%	(9.8)%	36.2%

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Required Supplementary Information
Schedule of Changes in the Township's Net Pension Liability and Related Ratios
Police Pension Plan
December 31, 2023
(Unaudited)

	Measurement Date as of December 31,				
	2018	2017	2016	2015	2014
Total Pension Liability					
Service Cost	\$ 432,878	\$ 412,265	\$ 410,113	\$ 390,584	\$ 398,771
Interest	1,559,612	1,483,486	1,418,806	1,298,471	1,274,712
Differences Between Expected and Actual Experience	-	(238,247)	-	(182,493)	-
Changes of Assumptions	-	-	-	(211,282)	-
Benefit Payments (Including Refunds of Member Contributions)	(882,112)	(811,059)	(719,463)	(521,103)	(706,184)
Net Change in Total Pension Liability	<u>1,110,378</u>	<u>846,445</u>	<u>1,109,456</u>	<u>774,177</u>	<u>967,299</u>
Total Pension Liability					
Beginning of Year	<u>19,667,013</u>	<u>18,820,568</u>	<u>17,711,112</u>	<u>16,936,935</u>	<u>15,969,636</u>
End of Year	<u><u>\$20,777,391</u></u>	<u><u>\$19,667,013</u></u>	<u><u>\$18,820,568</u></u>	<u><u>\$17,711,112</u></u>	<u><u>\$16,936,935</u></u>
Plan Fiduciary Net Position					
Contributions					
Employer	\$ 697,356	\$ 688,248	\$ 716,459	\$ 848,887	\$ 751,765
Member	151,013	140,027	138,147	137,150	111,177
Net Investment Income (Loss)	(1,296,384)	2,474,531	915,903	(83,513)	934,122
Benefit Payments (Including Refunds of Member Contributions)	(882,112)	(811,059)	(719,463)	(521,103)	(706,184)
Administrative Expense	(7,000)	(7,900)	(13,136)	(12,100)	(4,476)
Net Change in Plan Fiduciary Net Position	<u>(1,337,127)</u>	<u>2,483,847</u>	<u>1,037,910</u>	<u>369,321</u>	<u>1,086,404</u>
Plan Fiduciary Net Position					
Beginning of Year	<u>17,914,373</u>	<u>15,430,526</u>	<u>14,392,616</u>	<u>14,023,295</u>	<u>12,936,891</u>
End of Year	<u><u>\$16,577,246</u></u>	<u><u>\$17,914,373</u></u>	<u><u>\$15,430,526</u></u>	<u><u>\$14,392,616</u></u>	<u><u>\$14,023,295</u></u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Required Supplementary Information
Schedule of Changes in the Township's Net Pension Liability and Related Ratios
Police Pension Plan
December 31, 2023
(Unaudited)

	Measurement Date as of December 31,				
	2018	2017	2016	2015	2014
(Continued)					
Township's Ending Net Pension Liability	<u>\$ 4,200,145</u>	<u>\$ 1,752,640</u>	<u>\$ 3,390,042</u>	<u>\$ 3,318,496</u>	<u>\$ 2,913,640</u>
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	79.8%	91.1%	82.0%	81.3%	82.8%
Covered Employee Payroll	<u>\$ 3,047,202</u>	<u>\$ 2,733,106</u>	<u>\$ 2,691,509</u>	<u>\$ 2,788,396</u>	<u>\$ 2,573,944</u>
Township's Net Pension Liability As a Percentage of Covered Employee Payroll	137.8%	64.1%	126.0%	119.0%	113.2%

Change in assumption 2023 - Mortality rate table based on the PubS-2010 mortality table. Incorporated into the table are rates projected generationally using Scale MP-2021 to reflect mortality improvement.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Required Supplementary Information
Schedule of Changes in the Township's Net Pension Liability and Related Ratios
Non-Uniform Pension Plan
December 31, 2023
(Unaudited)

	Measurement Date as of December 31,				
	2023	2022	2021	2020	2019
Total Pension Liability					
Service Cost	\$ 99,061	\$ 126,898	\$ 120,855	\$ 136,378	\$ 129,884
Interest	421,654	388,363	366,502	340,039	318,192
Differences Between Expected and Actual Experience	(96,577)	-	(62,257)	-	(39,388)
Changes of Assumptions	353,722	-	-	-	-
Changes of Benefits Terms	-	-	79,020	156,692	-
Benefit Payments (Including Refunds of Member Contributions)	(326,120)	(330,741)	(267,566)	(181,512)	(181,466)
Net Change in Total Pension Liability	451,740	184,520	236,554	451,597	227,222
Total Pension Liability					
Beginning of Year	5,077,531	4,893,011	4,656,457	4,204,860	3,977,638
End of Year	<u>\$ 5,529,271</u>	<u>\$ 5,077,531</u>	<u>\$ 4,893,011</u>	<u>\$ 4,656,457</u>	<u>\$ 4,204,860</u>
Plan Fiduciary Net Position					
Contributions					
Employer	\$ 85,092	\$ 93,823	\$ 187,603	\$ 145,135	\$ 138,837
Member	12,583	11,720	14,292	16,430	16,125
Net Investment Income (Loss)	605,331	(841,942)	595,905	538,169	691,622
Benefit Payments (Including Refunds of Member Contributions)	(326,120)	(330,741)	(267,566)	(181,512)	(181,466)
Administrative Expense	(14,245)	(4,200)	(8,300)	(7,100)	(11,172)
Net Change in Plan Fiduciary Net Position	362,641	(1,071,340)	521,934	511,122	653,946
Plan Fiduciary Net Position					
Beginning of Year	4,168,529	5,239,869	4,717,935	4,206,813	3,552,867
End of Year	<u>\$ 4,531,170</u>	<u>\$ 4,168,529</u>	<u>\$ 5,239,869</u>	<u>\$ 4,717,935</u>	<u>\$ 4,206,813</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Required Supplementary Information
Schedule of Changes in the Township's Net Pension Liability and Related Ratios
Non-Uniform Pension Plan
December 31, 2023
(Unaudited)

	Measurement Date as of December 31,				
	2023	2022	2021	2020	2019
(Continued)					
Township's Ending Net Pension Liability (Asset)	<u>\$ 998,101</u>	<u>\$ 909,002</u>	<u>\$ (346,858)</u>	<u>\$ (61,478)</u>	<u>\$ (1,953)</u>
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	81.9%	82.1%	107.1%	101.3%	100.0%
Covered Employee Payroll	<u>\$ 753,644</u>	<u>\$ 806,982</u>	<u>\$ 797,020</u>	<u>\$ 1,029,326</u>	<u>\$ 1,076,308</u>
Township's Net Pension Liability (Asset) As a Percentage of Covered Employee Payroll	132.4%	112.6%	(43.5)%	(6.0)%	(0.2)%

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Required Supplementary Information
Schedule of Changes in the Township's Net Pension Liability and Related Ratios
Non-Uniform Pension Plan
December 31, 2023
(Unaudited)

	Measurement Date as of December 31,				
	2018	2017	2016	2015	2014
Total Pension Liability					
Service Cost	\$ 154,040	\$ 146,705	\$ 160,694	\$ 153,042	\$ 178,192
Interest	301,476	280,035	263,688	240,439	236,776
Differences Between Expected and Actual Experience	-	(74,883)	-	(237,871)	-
Changes of Assumptions	-	-	-	-	-
Changes of Benefits Terms	-	-	-	-	-
Benefit Payments (Including Refunds of Member Contributions)	(184,572)	(147,561)	(114,776)	(106,264)	(106,056)
Net Change in Total Pension Liability	270,944	204,296	309,606	49,346	308,912
Total Pension Liability					
Beginning of Year	3,706,694	3,502,398	3,192,792	3,143,446	2,834,534
End of Year	<u>\$ 3,977,638</u>	<u>\$ 3,706,694</u>	<u>\$ 3,502,398</u>	<u>\$ 3,192,792</u>	<u>\$ 3,143,446</u>
Plan Fiduciary Net Position					
Contributions					
Employer	\$ 137,577	\$ 139,820	\$ 149,159	\$ 180,543	\$ 159,538
Member	16,003	17,067	17,926	18,026	11,301
Net Investment Income (Loss)	(299,926)	544,557	205,918	(16,042)	202,793
Benefit Payments (Including Refunds of Member Contributions)	(184,572)	(147,561)	(114,776)	(106,264)	(106,056)
Administrative Expense	(4,600)	(12,625)	(6,784)	(11,600)	(1,119)
Net Change in Plan Fiduciary Net Position	(335,518)	541,258	251,443	64,663	266,457
Plan Fiduciary Net Position					
Beginning of Year	3,888,385	3,347,127	3,095,684	3,031,021	2,764,564
End of Year	<u>\$ 3,552,867</u>	<u>\$ 3,888,385</u>	<u>\$ 3,347,127</u>	<u>\$ 3,095,684</u>	<u>\$ 3,031,021</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Required Supplementary Information
Schedule of Changes in the Township's Net Pension Liability and Related Ratios
Non-Uniform Pension Plan
December 31, 2023
(Unaudited)

	Measurement Date as of December 31,				
	2018	2017	2016	2015	2014
(Continued)					
Township's Ending Net Pension Liability (Asset)	<u>\$ 424,771</u>	<u>\$ (181,691)</u>	<u>\$ 155,271</u>	<u>\$ 97,108</u>	<u>\$ 112,425</u>
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	89.3%	104.9%	95.6%	97.0%	96.4%
Covered Employee Payroll	<u>\$ 1,027,797</u>	<u>\$ 1,055,400</u>	<u>\$ 1,197,116</u>	<u>\$ 1,207,105</u>	<u>\$ 1,177,324</u>
Township's Net Pension Liability (Asset) As a Percentage of Covered Employee Payroll	41.3%	(17.2)%	13.0%	8.0%	9.5%

Change in assumption 2023 - Mortality rate table based on the PubG-2010 mortality table. Incorporated into the table are rates projected generationally using Scale MP-2021 to reflect mortality improvement.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Required Supplementary Information
Schedule of Township Contributions
Police Pension Plan
December 31, 2023
(Unaudited)**

<u>Year</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions in Relation to the Actuarially Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contributions As a Percentage of Covered Employee Payroll</u>
2014	\$ 751,765	\$ 751,765	\$ -	\$ 2,573,944	29.21%
2015	\$ 848,887	\$ 848,887	\$ -	\$ 2,788,396	30.44%
2016	\$ 716,459	\$ 716,459	\$ -	\$ 2,691,509	26.62%
2017	\$ 688,248	\$ 688,248	\$ -	\$ 2,733,106	25.18%
2018	\$ 697,346	\$ 697,356	\$ (10)	\$ 3,047,202	22.89%
2019	\$ 912,661	\$ 912,661	\$ -	\$ 3,132,700	29.13%
2020	\$ 921,489	\$ 921,489	\$ -	\$ 3,305,974	27.87%
2021	\$ 1,040,045	\$ 1,040,054	\$ (9)	\$ 3,301,433	31.50%
2022	\$ 337,633	\$ 337,633	\$ -	\$ 3,583,301	9.42%
2023	\$ 347,178	\$ 347,208	\$ (30)	\$ 3,138,452	11.06%

Notes to Schedule:

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar Closed
Remaining Amortization Period	N/A
Asset Valuation Method	Market Value of Assets
Inflation	3.0%
Salary Increases	5.0% per year
Investment Rate of Return	8.0%
Retirement Age	Assumption is that all members enter the DROP upon meeting the eligibility requirements for normal retirement. DROP participation assumed to be 36 months.
Mortality	RP2000 Table

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Required Supplementary Information
Schedule of Township Contributions
Non-Uniform Pension Plan
December 31, 2023
(Unaudited)**

<u>Year</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions from Employer</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contributions As a Percentage of Covered Employee Payroll</u>
2014	\$ 159,538	\$ 159,538	\$ -	\$ 1,177,324	13.55%
2015	\$ 167,496	\$ 180,543	\$ (13,047)	\$ 1,207,105	13.88%
2016	\$ 136,331	\$ 149,159	\$ (12,828)	\$ 1,197,116	12.46%
2017	\$ 139,820	\$ 139,820	\$ -	\$ 1,055,400	13.25%
2018	\$ 137,577	\$ 137,577	\$ -	\$ 1,027,797	13.39%
2019	\$ 138,837	\$ 138,837	\$ -	\$ 1,076,308	12.90%
2020	\$ 145,135	\$ 145,135	\$ -	\$ 1,029,326	14.10%
2021	\$ 187,603	\$ 187,603	\$ -	\$ 797,020	23.54%
2022	\$ 93,823	\$ 93,823	\$ -	\$ 806,982	11.63%
2023	\$ 85,092	\$ 85,092	\$ -	\$ 753,644	11.29%

Notes to Schedule:

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar Closed
Remaining Amortization Period	N/A
Asset Valuation Method	Market Value of Assets
Inflation	3.0%
Salary Increases	5.0% per year
Investment Rate of return	8.0%
Retirement Age	Normal Retirement Age
Mortality	RP2000 Table

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Required Supplementary Information
Schedule of Investment Returns
December 31, 2023
(Unaudited)**

	<u>Police</u>	<u>Non-Uniform</u>
Annual Money-Weighted Rate of Return, Net of Investment Expense		
2023	15.10%	15.10%
2022	(16.40)%	(16.30)%
2021	12.85%	12.84%
2020	12.50%	12.80%
2019	19.80%	19.50%
2018	(6.60)%	(6.80)%
2017	16.25%	16.11%
2016	6.76%	6.93%
2015	(0.43)%	(0.32)%
2014	7.16%	7.28%

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Required Supplementary Information
Schedule of Changes in the Township's OPEB Liability and Related Ratios
December 31, 2023
(Unaudited)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability						
Service Cost	\$ 61,349	\$ 64,065	\$ 48,759	\$ 43,313	\$ 45,778	\$ 40,102
Interest	31,107	26,250	35,022	35,664	34,978	37,491
Differences Between Expected and Actual Experience	(119,282)	-	87,108	-	(142,335)	-
Changes of Assumptions	(200,231)	(26,051)	131,390	35,385	(37,450)	39,267
Benefit Payments (Including Refunds of Member Contributions)	<u>(41,755)</u>	<u>(35,991)</u>	<u>(26,813)</u>	<u>(23,513)</u>	<u>(28,103)</u>	<u>(23,896)</u>
Net Change in Total OPEB Liability	<u>(268,812)</u>	<u>28,273</u>	<u>275,466</u>	<u>90,849</u>	<u>(127,132)</u>	<u>92,964</u>
Total OPEB Liability						
Beginning of Year	<u>1,343,800</u>	<u>1,315,527</u>	<u>1,040,061</u>	<u>949,212</u>	<u>1,076,344</u>	<u>983,380</u>
End of Year	<u><u>\$ 1,074,988</u></u>	<u><u>\$ 1,343,800</u></u>	<u><u>\$ 1,315,527</u></u>	<u><u>\$ 1,040,061</u></u>	<u><u>\$ 949,212</u></u>	<u><u>\$ 1,076,344</u></u>
Covered Employee Payroll	<u><u>\$ 3,748,793</u></u>	<u><u>\$ 3,431,473</u></u>	<u><u>\$ 3,431,473</u></u>	<u><u>\$ 3,047,202</u></u>	<u><u>\$ 3,047,202</u></u>	<u><u>\$ 2,934,048</u></u>
Township's Total OPEB Liability As a Percentage of Covered Employee Payroll	28.68%	39.16%	38.34%	34.13%	31.15%	36.68%

Assumption Changes - The discount rate changed from 2.25% to 4.31%. The trend assumption was updated.

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

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
General Fund
Year Ended December 31, 2023

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 8,745,633	\$ 10,093,143	\$ 1,347,510
Intergovernmental	612,000	600,737	(11,263)
Charges for Services	1,983,742	2,111,855	128,113
Fines, Licenses and Permits	446,820	374,324	(72,496)
Interest Income and Rents	26,000	379,797	353,797
Miscellaneous Revenues	294,400	113,743	(180,657)
Total Revenues	<u>12,108,595</u>	<u>13,673,599</u>	<u>1,565,004</u>
Expenditures			
General Government	1,579,672	1,380,084	199,588
Public Safety	5,390,797	5,630,781	(239,984)
Public Works	1,644,267	1,543,377	100,890
Debt Service - Principal	12,522	48,035	(35,513)
Debt Service - Interest	1,370	24,132	(22,762)
Capital Expenditures	50,000	649,565	(599,565)
Insurance and Employee Benefits	2,977,966	2,899,608	78,358
Miscellaneous Governmental	22,000	96,745	(74,745)
Total Expenditures	<u>11,678,594</u>	<u>12,272,327</u>	<u>(593,733)</u>
Excess of Revenues Over (Under) Expenditures	<u>430,001</u>	<u>1,401,272</u>	<u>971,271</u>
Other Financing Sources (Uses)			
Software Subscriptions	-	592,761	592,761
Operating Transfers In (Out)	<u>(455,000)</u>	<u>(355,000)</u>	<u>100,000</u>
Total Other Financing Sources (Uses)	<u>(455,000)</u>	<u>237,761</u>	<u>692,761</u>
Net Change in Fund Balances	(24,999)	1,639,033	1,664,032
Fund Balances			
Beginning of Year	<u>-</u>	<u>5,408,355</u>	<u>5,408,355</u>
End of Year	<u>\$ (24,999)</u>	<u>\$ 7,047,388</u>	<u>\$ 7,072,387</u>

See notes to schedules of budget to actual comparisons.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Schedules of Budget to Actual Comparisons
December 31, 2023**

1. BASIS OF PRESENTATION

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

The Township did not amend its 2023 budget as originally adopted and, therefore, is presenting its original and final budget in one column for each fund presented.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
Recycling Fund
Year Ended December 31, 2023

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Intergovernmental	\$ 30,000	\$ 416,804	\$ 386,804
Miscellaneous Revenues	106,417	114,737	8,320
Total Revenues	<u>136,417</u>	<u>531,541</u>	<u>395,124</u>
Expenditures			
Public Works	640,000	407,215	232,785
Parks and Recreation	6,600	15,414	(8,814)
Capital Expenditures	-	122,145	(122,145)
Total Expenditures	<u>646,600</u>	<u>544,774</u>	<u>101,826</u>
Excess (Deficiency) of Revenues Over Expenditures	(510,183)	(13,233)	496,950
Other Financing Sources (Uses)			
Operating Transfers In (Out)	<u>(50,200)</u>	<u>(280,000)</u>	<u>(229,800)</u>
Net Change in Fund Balances	(560,383)	(293,233)	267,150
Fund Balances			
Beginning of Year	<u>2,653,174</u>	<u>1,264,218</u>	<u>(1,388,956)</u>
End of Year	<u>\$ 2,092,791</u>	<u>\$ 970,985</u>	<u>\$ (1,121,806)</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
Debt Service Fund
Year Ended December 31, 2023

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenues			
Taxes	\$ 636,500	\$ 704,129	\$ 67,629
Intergovernmental	28,500	27,689	(811)
Total Revenues	<u>665,000</u>	<u>731,818</u>	<u>66,818</u>
Expenditures			
Debt Service - Principal	506,000	342,000	164,000
Debt Service - Interest	47,869	28,189	19,680
Total Expenditures	<u>553,869</u>	<u>370,189</u>	<u>183,680</u>
Excess (Deficiency) of Revenues Over Expenditures	111,131	361,629	250,498
Other Financing Sources (Uses)			
Operating Transfers In (Out)	<u>(1,200,000)</u>	<u>(883,546)</u>	<u>316,454</u>
Net Change in Fund Balances	(1,088,869)	(521,917)	566,952
Fund Balances			
Beginning of Year	<u>1,215,185</u>	<u>1,206,394</u>	<u>(8,791)</u>
End of Year	<u><u>\$ 126,316</u></u>	<u><u>\$ 684,477</u></u>	<u><u>\$ 558,161</u></u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
Pool and Pool Reserve Funds
Year Ended December 31, 2023

	Pool Fund		Variance
	Original Budget	Actual	Favorable (Unfavorable)
Operating Revenues			
Charges and Fees	\$ 785,500	\$ 654,493	\$ (131,007)
Operating Expenses			
Salaries and Benefits	539,500	614,921	(75,421)
Depreciation	-	205,802	(205,802)
Repairs and Maintenance	66,500	52,882	13,618
Utilities	48,500	56,467	(7,967)
Snack Bar	66,000	67,272	(1,272)
Pool Supplies	32,200	50,530	(18,330)
Other Expenses	17,000	13,816	3,184
Office Supplies and Expenses	16,200	836	15,364
Uniforms	10,000	13,094	(3,094)
Total Operating Expenses	795,900	1,075,620	(279,720)
Operating Income (Loss) Before Nonoperating Revenues (Expenses)	(10,400)	(421,127)	(410,727)
Nonoperating Revenues (Expenses)			
Operating Grants and Contributions	3,000	1,548	(1,452)
Interest Expense	-	(19,396)	(19,396)
Intergovernmental Revenue	-	-	-
Transfers (to) from Other Funds	-	444,643	444,643
Total Nonoperating Revenue (Expenses)	3,000	426,795	423,795
Change in Net Position	(7,400)	5,668	13,068
Fund Balances			
Beginning of Year	8,627	3,189,859	3,181,232
End of Year	\$ 1,227	\$ 3,195,527	\$ 3,194,300

Pool Reserve Fund		
<u>Original Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
-	-	-
-	-	-
127,923	102,604	25,319
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
<u>127,923</u>	<u>102,604</u>	<u>25,319</u>
<u>(127,923)</u>	<u>(102,604)</u>	<u>25,319</u>
-	-	-
-	-	-
-	149,662	149,662
-	(26,097)	(26,097)
<u>-</u>	<u>123,565</u>	<u>123,565</u>
(127,923)	20,961	148,884
<u>129,643</u>	<u>506</u>	<u>(129,137)</u>
<u>\$ 1,720</u>	<u>\$ 21,467</u>	<u>\$ 19,747</u>

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2023**

	<u>Fire Fund</u>	<u>Park and Recreation Fund</u>	<u>State Highway Aid Fund</u>
Assets			
Cash and Cash Equivalents	\$ 4,235	\$ 55,454	\$ 356,135
Taxes Receivable	20,475	28,745	-
Due from (to) Other Funds	<u>-</u>	<u>5,803</u>	<u>-</u>
Total Assets	<u><u>\$ 24,710</u></u>	<u><u>\$ 90,002</u></u>	<u><u>\$ 356,135</u></u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable and Accrued Expenses	\$ -	\$ 6,904	\$ -
Accrued Wages and Payroll Taxes	-	3,291	-
Due to Other Funds	<u>-</u>	<u>13,442</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>23,637</u>	<u>-</u>
Deferred Inflows of Resources			
Deferred Tax Receipts	<u>18,152</u>	<u>6,442</u>	<u>-</u>
Fund Balances			
Restricted	1,543	-	356,135
Assigned	5,015	59,923	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u><u>6,558</u></u>	<u><u>59,923</u></u>	<u><u>356,135</u></u>
Total Liabilities and Fund Balances	<u><u>\$ 24,710</u></u>	<u><u>\$ 90,002</u></u>	<u><u>\$ 356,135</u></u>

Capital Reserve Fund	Park and Recreation Reserve Fund	Equipment Reserve Fund	Total Nonmajor Governmental Funds
\$ 8,705	\$ 65,344	\$ 1,316,843	\$ 1,806,716
-	-	-	49,220
-	-	-	5,803
<u>\$ 8,705</u>	<u>\$ 65,344</u>	<u>\$ 1,316,843</u>	<u>\$ 1,861,739</u>
\$ 31,695	\$ 20,896	\$ -	\$ 59,495
-	-	-	3,291
1,378	-	-	14,820
<u>33,073</u>	<u>20,896</u>	<u>-</u>	<u>77,606</u>
-	-	-	24,594
-	-	-	357,678
-	44,448	1,316,843	1,426,229
(24,368)	-	-	(24,368)
<u>(24,368)</u>	<u>44,448</u>	<u>1,316,843</u>	<u>1,759,539</u>
<u>\$ 8,705</u>	<u>\$ 65,344</u>	<u>\$ 1,316,843</u>	<u>\$ 1,861,739</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended December 31, 2023

	<u>Fire Fund</u>	<u>Park and Recreation Fund</u>	<u>State Highway Aid Fund</u>
Revenues			
Taxes	\$ 629,049	\$ 223,212	\$ -
Intergovernmental	-	-	529,970
Charges for Services	-	36,609	-
Interest Income and Rents	-	5,935	2,450
Miscellaneous Revenues	-	17,882	-
Total Revenues	<u>629,049</u>	<u>283,638</u>	<u>532,420</u>
Expenditures			
General Government	-	-	-
Public Safety	315,000	-	-
Parks and Recreation	-	270,832	-
Debt Service - Principal	-	-	80,458
Debt Service - Interest	-	-	3,982
Capital Expenditures	-	-	200,000
Total Expenditures	<u>315,000</u>	<u>270,832</u>	<u>284,440</u>
Excess (Deficiency) of Revenues Over Expenditures	314,049	12,806	247,980
Other Financing Sources (Uses)			
Operating Transfers In (Out)	<u>(329,590)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(15,541)	12,806	247,980
Fund Balances			
Beginning of Year	<u>22,099</u>	<u>47,117</u>	<u>108,155</u>
End of Year	<u>\$ 6,558</u>	<u>\$ 59,923</u>	<u>\$ 356,135</u>

Capital Reserve Fund	Park and Recreation Reserve Fund	Equipment Reserve Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 852,261
-	-	-	529,970
-	-	-	36,609
-	-	-	8,385
31,357	300,000	-	349,239
<u>31,357</u>	<u>300,000</u>	<u>-</u>	<u>1,776,464</u>
88,464	-	-	88,464
70,163	-	159,325	544,488
-	76,423	-	347,255
-	-	-	80,458
-	-	-	3,982
1,041,744	352,331	-	1,594,075
<u>1,200,371</u>	<u>428,754</u>	<u>159,325</u>	<u>2,658,722</u>
(1,169,014)	(128,754)	(159,325)	(882,258)
<u>1,100,000</u>	<u>-</u>	<u>329,590</u>	<u>1,100,000</u>
(69,014)	(128,754)	170,265	217,742
<u>44,646</u>	<u>173,202</u>	<u>1,146,578</u>	<u>1,541,797</u>
<u>\$ (24,368)</u>	<u>\$ 44,448</u>	<u>\$ 1,316,843</u>	<u>\$ 1,759,539</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Combining Statement of Fiduciary Net Position
Pension Trust Funds
December 31, 2023

	<u>Police Pension</u>	<u>Non-Uniform Pension - Defined Benefit</u>	<u>Non-Uniform Pension - Defined Contribution</u>	<u>Total</u>
Assets				
Cash and Cash Equivalents	\$ 139,317	\$ 31,344	\$ 151,098	\$ 321,759
Investments	22,719,075	4,499,825	492,813	27,711,713
Contributions Receivable	<u>-</u>	<u>-</u>	<u>19,983</u>	<u>19,983</u>
Total Assets	22,858,392	4,531,169	663,894	28,053,455
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position				
Held in Trust for Pension Benefits	<u>\$ 22,858,392</u>	<u>\$ 4,531,169</u>	<u>\$ 663,894</u>	<u>\$ 28,053,455</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
Year Ended December 31, 2023

	Police Pension	Non-Uniform Pension - Defined Benefit	Non-Uniform Pension - Defined Contribution	Total
Additions				
Contributions				
Plan Members	\$ 180,748	\$ 12,583	\$ 34,414	\$ 227,745
State	303,050	85,092	54,777	442,919
Employer	44,128	-	20,391	64,519
Total Contributions	<u>527,926</u>	<u>97,675</u>	<u>109,582</u>	<u>735,183</u>
Investment Income				
Net Increase in Fair Value of Investments	2,387,514	478,325	69,402	2,935,241
Dividends	703,629	138,320	16,961	858,910
	<u>3,091,143</u>	<u>616,645</u>	<u>86,363</u>	<u>3,794,151</u>
Less Investment Expense	(56,785)	(11,314)	(6,355)	(74,454)
Total Net Investment Income	<u>3,034,358</u>	<u>605,331</u>	<u>80,008</u>	<u>3,719,697</u>
Total Additions	<u>3,562,284</u>	<u>703,006</u>	<u>189,590</u>	<u>4,454,880</u>
Deductions				
Benefits	1,461,083	326,120	8,574	1,795,777
Administrative Expense	-	14,245	-	14,245
Total Deductions	<u>1,461,083</u>	<u>340,365</u>	<u>8,574</u>	<u>1,810,022</u>
Change in Net Position	2,101,201	362,641	181,016	2,644,858
Net Position, Held in Trust				
Beginning of Year	<u>20,757,191</u>	<u>4,168,528</u>	<u>482,878</u>	<u>25,408,597</u>
End of Year	<u>\$ 22,858,392</u>	<u>\$ 4,531,169</u>	<u>\$ 663,894</u>	<u>\$ 28,053,455</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
Year Ended December 31, 2023

	Fire Fund		Variance
	Original Budget	Actual	Favorable (Unfavorable)
Revenues			
Taxes	\$ 593,884	\$ 629,049	\$ 35,165
Intergovernmental	-	-	-
Charges for Services	-	-	-
Interest Income and Rents	-	-	-
Miscellaneous Revenues	-	-	-
Total Revenues	<u>593,884</u>	<u>629,049</u>	<u>35,165</u>
Expenditures			
Public Safety	315,000	315,000	-
Parks and Recreation	-	-	-
Debt Service - Principal	-	-	-
Debt Service - Interest	-	-	-
Capital Expenditures	-	-	-
Total Expenditures	<u>315,000</u>	<u>315,000</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	278,884	314,049	35,165
Other Financing Sources (Uses)			
Operating Transfers Out	<u>(270,000)</u>	<u>(329,590)</u>	<u>(59,590)</u>
Net Change in Fund Balances	8,884	(15,541)	(24,425)
Fund Balances			
Beginning of Year	<u>700</u>	<u>22,099</u>	<u>21,399</u>
End of Year	<u>\$ 9,584</u>	<u>\$ 6,558</u>	<u>\$ (3,026)</u>

Park and Recreation Fund			State Highway Aid Fund		
Original Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Actual	Variance Favorable (Unfavorable)
\$ 226,800	\$ 223,212	\$ (3,588)	\$ -	\$ -	\$ -
-	-	-	529,970	529,970	-
44,000	36,609	(7,391)	-	-	-
8,300	5,935	(2,365)	1,000	2,450	1,450
31,000	17,882	(13,118)	-	-	-
<u>310,100</u>	<u>283,638</u>	<u>(26,462)</u>	<u>530,970</u>	<u>532,420</u>	<u>1,450</u>
-	-	-	-	-	-
318,115	270,832	47,283	-	-	-
-	-	-	80,458	80,458	-
-	-	-	3,982	3,982	-
-	-	-	200,000	200,000	-
<u>318,115</u>	<u>270,832</u>	<u>47,283</u>	<u>284,440</u>	<u>284,440</u>	<u>-</u>
(8,015)	12,806	20,821	246,530	247,980	1,450
-	-	-	-	-	-
(8,015)	12,806	20,821	246,530	247,980	1,450
30,128	47,117	16,989	109,105	108,155	(950)
<u>\$ 22,113</u>	<u>\$ 59,923</u>	<u>\$ 37,810</u>	<u>\$ 355,635</u>	<u>\$ 356,135</u>	<u>\$ 500</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
Nonmajor Capital Project Funds
Year Ended December 31, 2023

	Park and Recreation Reserve Fund		
	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Miscellaneous Revenues	\$ 30,000	\$ 300,000	\$ 270,000
Expenditures			
Public Safety	-	-	-
Parks and Recreation	170,000	76,423	93,577
Capital Expenditures	-	352,331	(352,331)
Total Expenditures	170,000	428,754	(258,754)
Excess (Deficiency) of Revenues Over Expenditures	(140,000)	(128,754)	11,246
Other Financing Sources (Uses)			
Operating Transfers In (Out)	5,000	-	(5,000)
Net Change in Fund Balances	(135,000)	(128,754)	6,246
Fund Balances			
Beginning of Year	151,040	173,202	22,162
End of Year	\$ 16,040	\$ 44,448	\$ 28,408

Equipment Reserve Fund		
Original Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -
-	159,325	(159,325)
-	-	-
-	-	-
-	159,325	(159,325)
-	(159,325)	(159,325)
-	329,590	329,590
-	170,265	170,265
-	1,146,578	1,146,578
\$ -	\$ 1,316,843	\$ 1,316,843

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
Capital Reserve Fund
Year Ended December 31, 2023

	<u>Original Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues			
Miscellaneous Revenues	\$ 5,500	\$ 31,357	\$ 25,857
Expenditures			
General Government	75,000	88,464	(13,464)
Public Safety	65,000	70,163	(5,163)
Capital Expenditures	1,485,000	1,041,744	443,256
Total Expenditures	<u>1,625,000</u>	<u>1,200,371</u>	<u>424,629</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,619,500)</u>	<u>(1,169,014)</u>	<u>450,486</u>
Other Financing Sources (Uses)			
Proceeds from Issuance of Long-Term Note	1,200,000	-	(1,200,000)
Operating Transfers In	400,000	1,100,000	700,000
Total Other Financing Sources (Uses)	<u>1,600,000</u>	<u>1,100,000</u>	<u>(500,000)</u>
Net Change in Fund Balances	(19,500)	(69,014)	(49,514)
Fund Balances			
Beginning of Year	<u>21,080</u>	<u>44,646</u>	<u>23,566</u>
End of Year	<u>\$ 1,580</u>	<u>\$ (24,368)</u>	<u>\$ (25,948)</u>