

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PENNSYLVANIA**

Financial Report

December 31, 2011

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PENNSYLVANIA**

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**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PENNSYLVANIA**

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Independent Auditor's Report

To the Board of Commissioners
Hatfield Township
Hatfield, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hatfield Township, Montgomery County, Pennsylvania, as of and for the year ended December 31, 2011, which collectively comprise the basic financial statements of the Township's primary government as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements referred to above include only the primary government of Hatfield Township, Montgomery County, Pennsylvania, which consists of all funds 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. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Hatfield Township, Montgomery County, Pennsylvania, as of December 31, 2011, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. The Township's component units issue their own financial statements which are audited by another accounting firm. At this time, the component units' audit reports for the year ended December 31, 2011, are not complete.

In our opinion, except as noted above, the financial statements referred to in the first paragraph 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 Hatfield Township, Montgomery County, Pennsylvania, as of December 31, 2011, and the respective changes in financial position and, where applicable, the cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.



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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 14 and 66 through 69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's financial statements as a whole. The additional budget schedules on pages 70-71 and 76-78 and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The budget schedules and combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Dunlap & Associates, P.C.
DUNLAP & ASSOCIATES, P.C.

Chalfont, Pa.
May 15, 2012

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2011**

This discussion and analysis of Hatfield Township's financial performance provides an overview of the Township's financial activities for the year ended December 31, 2011. Please read it in conjunction with the Township's financial statement, which begins after the Management Discussion and Analysis.

FINANCIAL HIGHLIGHTS

- The Township's net assets increased by 4.12% due the acquisition of open space and PennDOT's dedication of Elroy Road to the Township.
- 68% of the Township expenses are directly related to maintaining roads (22%) and providing police services (46%).
- The Township's year-end General Fund cash reserves increased 84% in 2011. The cash reserve at 5% of total operating expenses is still underfunded compared to best practices recommendation of 15%.
- In 2011, the Township refinanced the variable rate portion of its outstanding debt to a fixed rate.

USING THIS REPORT

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

Reporting on the Township as a Whole

The Statement of Net Assets 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 assets and changes in them. The Township's net assets (the difference between assets and liabilities) provide a measurement of the Township's financial health, or financial position. Over time, increases or decreases in net assets 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, 2011**

USING THIS REPORT (Continued)

Reporting Significant Funds

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

The Township's basic services are reported in governmental funds, which focus on how money flows in and out of those funds and the balances left at 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 Assets 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 Assets and Changes in Fiduciary Net Assets on pages 27 and 28. These activities are excluded from the Township's other financial statements because the Township cannot use these assets to finance its operations. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE TOWNSHIP AS A WHOLE

The Statement of Net Assets provides an overview of the Township's assets, liabilities, and net assets. 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, 2011

THE TOWNSHIP AS A WHOLE (Continued)

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

Account	2011	2010	\$ Change	% Change
Capital Assets	\$ 32,846,645	\$ 32,423,997	\$ 422,648	1.30
Current and Other Assets	3,738,487	2,994,032	744,455	24.86
Total Assets	<u>36,585,132</u>	<u>35,418,029</u>	<u>1,167,103</u>	3.30
Long-Term Liabilities	6,097,459	6,126,621	(29,162)	(0.48)
Other Liabilities	<u>619,812</u>	<u>605,040</u>	<u>14,772</u>	2.44
Total Liabilities	<u>6,717,271</u>	<u>6,731,661</u>	<u>(14,390)</u>	(0.21)
Net Assets				
Invested in Capital Assets,				
Net of Related Debt	26,586,342	26,087,252	499,090	1.91
Restricted	1,787,442	1,583,371	204,071	12.89
Unrestricted	<u>1,494,077</u>	<u>1,015,745</u>	<u>478,332</u>	47.09
Total Net Assets	<u>\$ 29,867,861</u>	<u>\$ 28,686,368</u>	<u>\$ 1,181,493</u>	4.12

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2011

THE TOWNSHIP AS A WHOLE (Continued)

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

Account	2011	2010	\$ Change	% Change
Program Revenues				
General Government	\$ 386,050	\$ 379,738	\$ 6,312	1.66
Police	1,171,084	922,157	248,927	26.99
Fire	297,294	281,724	15,570	5.53
Code Enforcement	395,310	380,694	14,616	3.84
Highway Maintenance	1,334,019	393,131	940,888	239.33
Snow Removal	787	1,555	(768)	(49.39)
Parks and Recreation	87,444	228,126	(140,682)	(61.67)
Pool	662,585	576,236	86,349	14.99
General Revenues				
Real Estate Taxes	3,446,028	2,312,535	1,133,493	49.02
Transfer Taxes	339,679	155,977	183,702	117.78
Earned Income Taxes	2,267,184	2,211,567	55,617	2.51
Other Taxes	657,493	509,635	147,858	29.01
Grants and Contributions	512,014	75,351	436,663	579.51
Interest and Rents	23,816	32,118	(8,302)	(25.85)
Gain (Loss) on Disposal of				
Equipment	(201)	(969)	768	(79.26)
Miscellaneous	175,873	249,743	(73,870)	(29.58)
Total Revenues (Forwarded)	<u>\$ 11,756,459</u>	<u>\$ 8,709,318</u>	<u>\$ 3,047,141</u>	34.99

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2011

THE TOWNSHIP AS A WHOLE (Continued)

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

Account	2011	2010	\$ Change	% Change
Total Revenues (Forwarded)	\$ 11,756,459	\$ 8,709,318	\$ 3,047,141	34.99
Program Expenses				
Finance and Tax Collection	99,048	192,631	(93,583)	(48.58)
Professional Services	140,702	175,101	(34,399)	(19.65)
General Government	1,267,166	1,274,041	(6,875)	(0.54)
Police	4,485,739	4,395,348	90,391	2.06
Fire	623,264	520,598	102,666	19.72
Code Enforcement	308,967	342,496	(33,529)	(9.79)
Highway Maintenance	2,144,818	1,936,850	207,968	10.74
Snow and Ice Removal	90,922	96,117	(5,195)	(5.40)
Street Lighting	72,246	69,689	2,557	3.67
Parks and Recreation	463,019	323,036	139,983	43.33
Pool	879,075	824,661	54,414	6.60
Total Expenses	10,574,966	10,150,568	424,398	4.18
Changes in Net Assets	\$ 1,181,493	\$(1,441,250)	\$ 2,622,743	(181.98)

Revenue Overview

Revenues increased by \$3,047,141 in 2011 as a result of the following:

- Higher real estate tax millages levied in 2011
- Lexon Insurance settlement
- Transfer of Elroy Road from PennDOT to the Township
- Change in the collection method of the State's pension and fire contributions
- Sale of a cold storage facility within the Township, which resulted in real estate transfer taxes being higher than anticipated.

The 3% increase in earned income tax is a positive sign that the economy for the Township may be improving. The Hatfield Aquatic Center increased its revenue by 15% due to implementation of the capital maintenance fee adopted last year.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2011

THE TOWNSHIP AS A WHOLE (Continued)

Figure 1

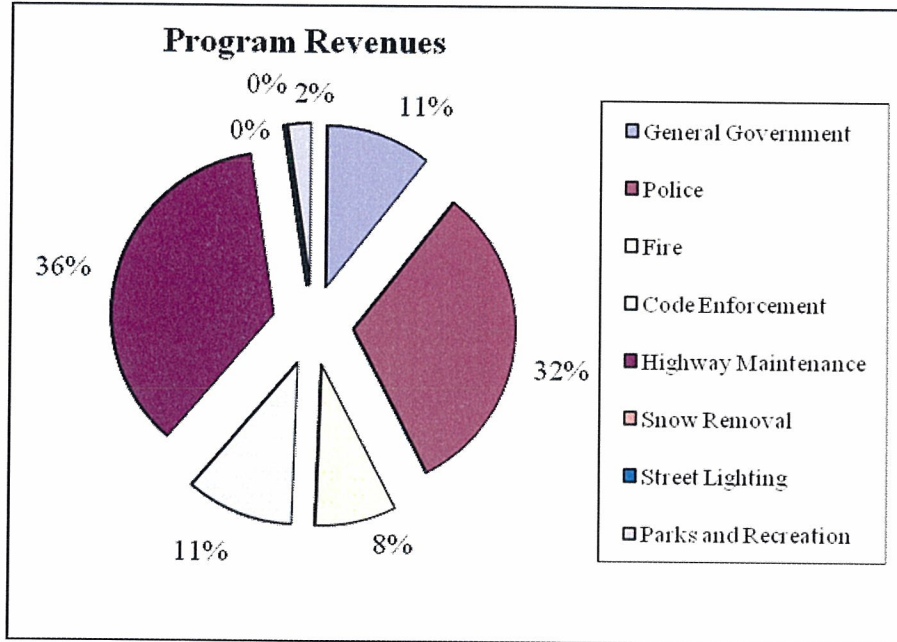
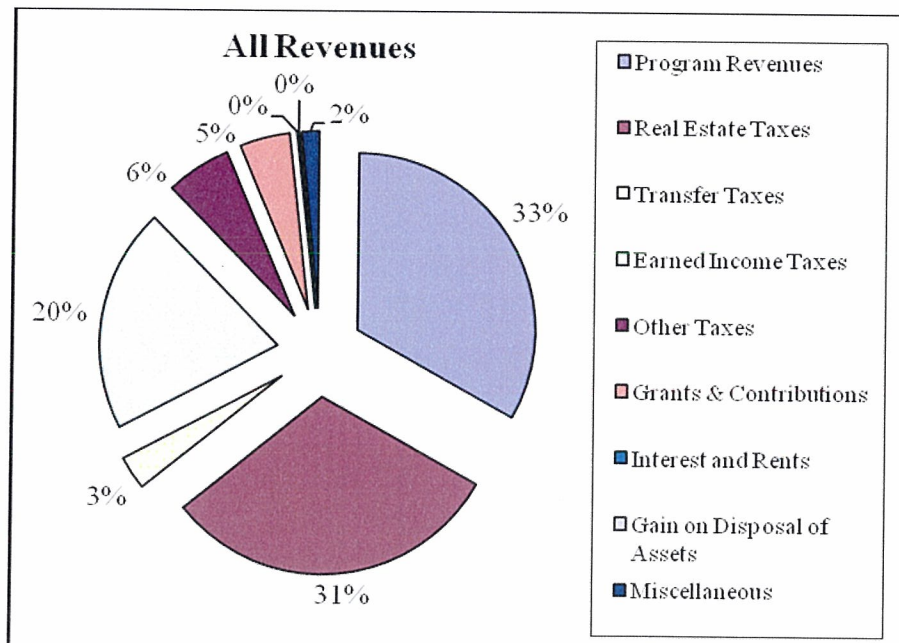


Figure 2



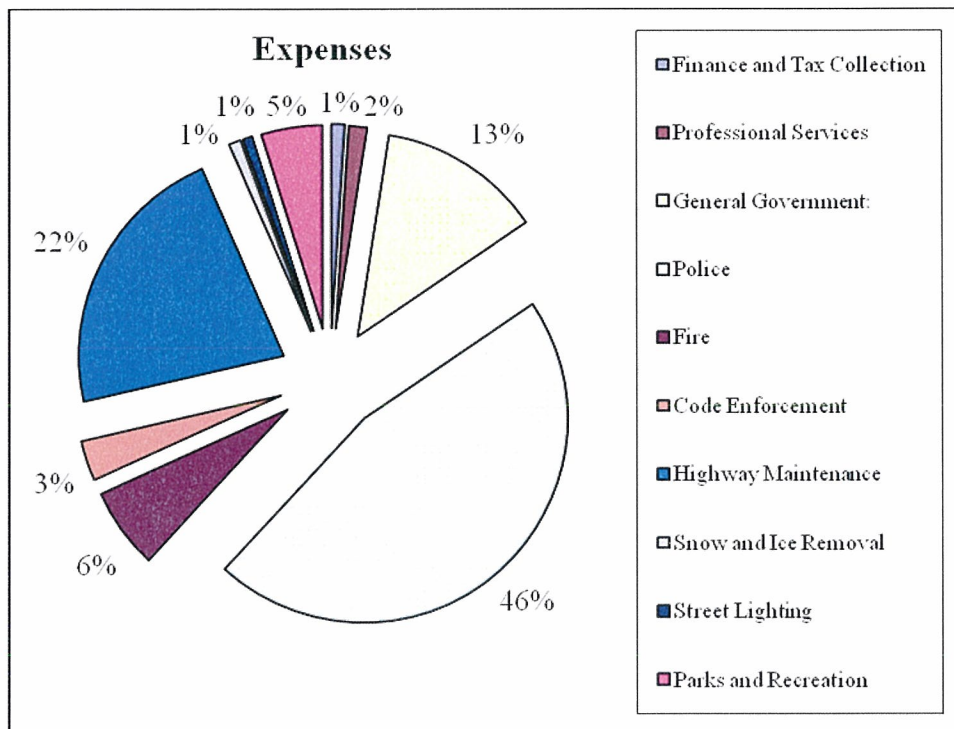
**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2011**

THE TOWNSHIP AS A WHOLE (Continued)

Expense Overview

Total expenses increased 4%, or \$424,398, in 2011. However, in areas in which the municipal government can control the budget, expenses were either flat or decreased. General government expenses decreased by 1%; police protection increased 2% due to contractual agreements; code enforcement decreased 10% in the General Fund; and policy changes in snow and ice removal led to a 5% decrease. Fire protection increased due to a millage increase. The park and recreation expense increase was result of an \$80,000 transfer to the General Fund and a capital project to build restrooms at the School Road Park. The pool expenses increased due to much needed maintenance projects and the buyout of the snack bar lease.

Figure 3



HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2011

ITEMS OF GENERAL INTEREST

Water

Residents and businesses of the Township are served by North Penn Water Authority and on-lot water systems. The Township has no financial or management control of the water company.

Waste Water

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

Fire and Ambulance

Residents and businesses of the Township are served by the Hatfield Fire Company, the Colmar Fire Company, and the Hilltown Fire Company in designated districts. There are mutual aid agreements and central dispatching throughout the area. Ambulance service is provided by the Volunteer Medical Service Corps of Lansdale. The Township collects and distributes a .31 mill fire tax, and aside from providing worker's compensation insurance for both the fire companies and the ambulance service, it has no other financial or management control of the fire companies or ambulance services.

Public Facilities

The Township owns and operates a number of parks and scattered open space parcels. Chief among the parks are Hatfield Community Park, School Road Park, Clemens Park, and Schweiker Park, along with an Arboretum and a Nature Area. In 2003 the Board of Commissioners determined that the forty-year-old administration building and public works facilities needed to be replaced because they had outgrown their usefulness. In April 2004 the Township purchased a new facility for Public Works that is capable of meeting its needs well into the future. With the help of a State grant it also constructed a large salt storage facility to insure adequate supplies of salt during the winter months. In June 2004 it started construction for a new Township administration building that was occupied in March 2005. Finally, the Police Department building, which was erected in 1979, is in the final process of renovation. Much needed new office space within the building was opened up when the Hatfield Township Industrial Development Authority agree to pay for a new storage building at the back of the parking lot.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2011

ANALYSIS OF INDIVIDUAL FUNDS

General Fund

The General Fund had a flat year in that the revenue collected matched the expenses. However, there were two one-time, unexpected revenue sources that led to the Township having positive cash flows. The Township received over \$180,000 in additional real estate transfer tax from the sale of a cold storage facility, and a state change in pension and fire calculations led to an unexpected increase in state aid.

Other Funds

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

Capital Reserve Fund

In 2011, all debt payments were moved from the Capital Reserve Fund to the new Debt Service Fund with a dedicated tax millage. The majority of the Capital Reserve Fund expenses in 2011 were for the purchase of two police vehicles and fleet capital maintenance. There was no dedicated revenue stream in 2011.

Parks and Recreation Fund

This fund receives revenue from a .22 mill real estate tax. In 2011, the Parks and Recreation Fund paid the General Fund \$80,000 to help maintain the cash balance. A capital project was started on a restroom facility at the School Road Park.

State Aid Fund

Aside from a small amount of interest income, this fund relies completely on state monies earmarked for road improvements and the expenses necessary to accomplish this.

Fire Fund

Aside from a small amount of interest income, this fund relies on a .31 mill real estate tax for its revenue, which is a 25% increase over last year. This increase was deemed necessary to help sustain the rising cost of fire equipment needed by the three volunteer fire companies that serve the Township. Twice a year the monies are distributed to the companies.

Pool Fund

Overall the pool had great results in 2011, until the inclement weather took away two weeks of revenue at the end of August. The pool began some aggressive maintenance programs in 2011 as portions of the pool were retiled to extend its life, and the Township assumed ownership of its snack bar by buying out an existing lease.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2011**

ANALYSIS OF INDIVIDUAL FUNDS (Continued)

Pension Plans

The Township provides a deferred compensation retirement plan to its employees. The plan is administered by ICMA. It is open to all full time non-uniformed employees as well as the Chief and two lieutenants.

Full-time Township employees are also members of the Police or Non-Uniformed local pension plans. The Township is eligible for Act 205 assistance in the form of state aid. The plans are administered by the Univest Bank and Trust Co. Trust Department.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Planning

The Township is investing in capital projects that are aimed at reducing future expenses. A pole barn was built with donated money for the highway department in 2011 to protect equipment that was exposed to the elements. A similar pole barn is to be built in 2012 with donations for the police department.

Debt

The Township's general long-term debt decreased from \$5,913,000 to \$5,693,000 at the end of 2011. According to DCED Debt Standards, the Township has borrowed 26% of its maximum borrowing capacity. The debt service consumes 9% of the total taxes that are collected by the Township in 2011.

**Table 3
General Long-Term Debt**

Category	Balance 1/1/11	Proceeds	Principal Payments	Balance 12/31/11	% Change
2003 General Note – Series A	\$ 1,399,000	\$ 0	\$ 481,000	\$ 918,000	34.4
2003 General Note – Series B	1,500,000	0	375,000	1,125,000	25.0
2006 General Obligation Note	3,014,000	0	854,000	2,160,000	28.3
2011 General Note – Series A	0	745,000	0	745,000	-
2011 General Note – Series A	0	745,000	0	745,000	-
Total	<u>\$ 5,913,000</u>	<u>\$ 1,490,000</u>	<u>\$ 1,710,000</u>	<u>\$ 5,693,000</u>	

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2011**

ECONOMIC FORECAST

As discussed above, the Township has four major sources of revenue:

- Earned Income Tax
- Real Estate Tax
- Fees and Charges, State Transfers
- Real Estate Transfer Tax

Over the past ten years, Hatfield Township has experienced various economic conditions. In the early 2000's residents paid a higher rate of taxes directly to the Township than they did in 2011. As the money flowed in from the development boom years of 2003 – 2008, the overall tax rates paid by residents dropped due to the increase in excess revenue from housing. However, when the market suddenly declined in late 2008, the excess money collected from the growth was spent to cover deficits for 2009 and 2010. As a result, the Township reserve was completely depleted, and a substantially large tax rate increase was needed for 2011.

At the end of 2011, Hatfield Township was left with General Fund cash reserves of approximately \$693,000. The general guideline for reserves balances is two months of expenses as defined by the Government Finance Officers Association. In order to meet this benchmark, the Township would have to double the current cash reserves to approximately \$1.4 million. The one option to reach this mark is to dramatically cut services that the Township residents normally expect and to steadily increase taxes over a period of time. Some of the short-term effects of this inadequate reserve will result in the use of tax anticipation loans at the beginning of the year to meet obligations before the taxes come due, and the use of debt to fund any short-term emergencies should they arise.

Pension liabilities continue to strain fiscal viability. For example, Hatfield Township police pension costs have doubled from 2004 to today. As of January 1, 2011, the pension fund is only 74% funded. The overall costs are projected to continually increase in the coming years as new life expectancy tables are used to reflect longer life span of retired officers and spouses. The financial markets have not been kind to the overall health of the pension plan. The Dow Jones has increased 24% since 2002; however, the pension fund is over 90 basis points below where it should be with an annual 8% return expected each year. These losses result in increasing the Township pension cost. The equity markets would have to consistently increase 14% each year for the next 10 years for the pension to become fully funded. Hatfield Township has little or no say in negotiating police pension benefits since they are established by the Pennsylvania State Assembly under Act 600 or by a state arbitrator. The future looks challenging with retirement benefits starting at the age of 50 (per the Pennsylvania State Arbitrator), an extra \$500 monthly pension benefit for working 30 years (per PA Act 600), and an extra 30% cost of living increase upon retirement (per PA Act 600). The police pension costs will cause a greater financial strain on the Township if no changes are made at the state level to change the benefits for future retirees.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2011**

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, and Township Manager, Andrew Haines. They can be reached at 215-855-0900 (phone), 215-855-0243 (fax), or www.hatfieldtownship.org (internet).

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Statement of Net Assets
December 31, 2011

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 2,353,884	\$ 17,586	\$ 2,371,470
Taxes Receivable	1,118,760	0	1,118,760
Grant Receivable	205,747	0	205,747
Other Receivables	42,510	0	42,510
Total Current Assets	<u>3,720,901</u>	<u>17,586</u>	<u>3,738,487</u>
Noncurrent Assets			
Net Capital Assets	<u>26,902,808</u>	<u>5,943,837</u>	<u>32,846,645</u>
Total Assets	<u>30,623,709</u>	<u>5,961,423</u>	<u>36,585,132</u>
Liabilities			
Current Liabilities			
Current Portion of General Obligation Notes	141,000	106,000	247,000
Current Portion of Capital Lease Payable	42,446	0	42,446
Accounts Payable and Accrued Expenses	168,266	3,514	171,780
Accrued Wages and Payroll Taxes	155,985	2,601	158,586
Total Current Liabilities	<u>507,697</u>	<u>112,115</u>	<u>619,812</u>
Noncurrent Liabilities			
General Obligation Note Payable	2,647,000	2,799,000	5,446,000
Capital Lease Payable	75,192	0	75,192
Compensated Absences	126,602	0	126,602
Fair Value of Derivative Instrument	225,481	224,184	449,665
Total Noncurrent Liabilities	<u>3,074,275</u>	<u>3,023,184</u>	<u>6,097,459</u>
Total Liabilities	<u>3,581,972</u>	<u>3,135,299</u>	<u>6,717,271</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	23,771,689	2,814,653	26,586,342
Restricted for			
Capital Projects	1,234,833	0	1,234,833
Other	552,609	0	552,609
Unrestricted	<u>1,482,606</u>	<u>11,471</u>	<u>1,494,077</u>
Total Net Assets	<u>\$ 27,041,737</u>	<u>\$ 2,826,124</u>	<u>\$ 29,867,861</u>

See Notes to Financial Statements.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Statement of Activities
Year Ended December 31, 2011

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government				
Finance and Tax Collection	\$ 99,048	\$ 0	\$ 0	\$ 0
Professional Fees	140,702	0	0	0
General Government	1,267,166	308,726	77,324	0
Public Safety				
Police	4,485,739	718,658	452,426	0
Fire	623,264	62,612	234,682	0
Code Enforcement and Zoning	308,967	395,310	0	0
Highways				
Highway Maintenance	2,144,818	0	336,180	997,839
Snow and Ice Removal	90,922	787	0	0
Street Lighting	72,246	0	0	0
Parks and Recreation	463,019	87,444	40,145	35,343
Total Governmental Activities	<u>9,695,891</u>	<u>1,573,537</u>	<u>1,140,757</u>	<u>1,033,182</u>
Business-Type Activities				
Pool	<u>879,075</u>	<u>587,097</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 10,574,966</u>	<u>\$ 2,160,634</u>	<u>\$ 1,140,757</u>	<u>\$ 1,033,182</u>

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

Change in Net Assets

Net Assets
Beginning of Year
End of Year

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (99,048)	\$ 0	\$ (99,048)
(140,702)	0	(140,702)
(881,116)	0	(881,116)
(3,314,655)	0	(3,314,655)
(325,970)	0	(325,970)
86,343	0	86,343
(810,799)	0	(810,799)
(90,135)	0	(90,135)
(72,246)	0	(72,246)
(300,087)	0	(300,087)
<u>(5,948,415)</u>	<u>0</u>	<u>(5,948,415)</u>
0	(291,978)	(291,978)
<u>(5,948,415)</u>	<u>(291,978)</u>	<u>(6,240,393)</u>
3,446,028	0	3,446,028
3,264,356	0	3,264,356
512,014	0	512,014
23,533	283	23,816
175,873	0	175,873
(201)	0	(201)
(223,492)	223,492	0
<u>7,198,111</u>	<u>223,775</u>	<u>7,421,886</u>
1,249,696	(68,203)	1,181,493
<u>25,792,041</u>	<u>2,894,327</u>	<u>28,686,368</u>
<u>\$ 27,041,737</u>	<u>\$ 2,826,124</u>	<u>\$ 29,867,861</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Balance Sheet
Governmental Funds
December 31, 2011

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Impact Fees Fund</u>
Assets			
Cash and Cash Equivalents	\$ 692,991	\$ 196,430	\$ 538,139
Taxes Receivable	1,089,247	0	0
Grant Receivable	205,747	0	0
Other Receivables	42,510	0	0
Due from (to) Other Funds	(208,942)	0	200,000
Total Assets	<u><u>\$ 1,821,553</u></u>	<u><u>\$ 196,430</u></u>	<u><u>\$ 738,139</u></u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable and Accrued Expenses	\$ 115,978	\$ 0	\$ 5,890
Accrued Wages and Payroll Taxes	151,100	0	0
Deferred Revenue	582,441	0	0
Total Liabilities	<u><u>849,519</u></u>	<u><u>0</u></u>	<u><u>5,890</u></u>
Fund Balances			
Restricted	30,540	31,847	676,175
Assigned	0	164,583	56,074
Unassigned	941,494	0	0
Total Fund Balances	<u><u>972,034</u></u>	<u><u>196,430</u></u>	<u><u>732,249</u></u>
Total Liabilities and Fund Balances	<u><u>\$ 1,821,553</u></u>	<u><u>\$ 196,430</u></u>	<u><u>\$ 738,139</u></u>

See Notes to Financial Statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 926,324	\$ 2,353,884
29,513	1,118,760
0	205,747
0	42,510
8,942	0
<u>\$ 964,779</u>	<u>\$ 3,720,901</u>

\$ 46,398	\$ 168,266
4,885	155,985
30,113	612,554
<u>81,396</u>	<u>936,805</u>

488,993	1,227,555
394,390	615,047
0	941,494
<u>883,383</u>	<u>2,784,096</u>
<u>\$ 964,779</u>	<u>\$ 3,720,901</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2011

Total Governmental Fund Balances	\$ 2,784,096
Amounts Reported for Governmental Activities in the Statement of Net Assets Are Different Because	
Capital Assets Used in Governmental Activities Are Not Financial Resources and, Therefore, Not Reported in Funds, Net of Accumulated Depreciation of \$13,983,490.	26,902,808
Other Long-Term Assets Are Not Available to Pay Current Period Expenditures, and Therefore Are Deferred in the Funds.	
Taxes Receivable	612,554
Long-Term Liabilities Are Not Due and Payable in the Current Period, and, Therefore, Are Not Reported in the Funds.	
General Obligation Note Payable	(2,788,000)
Capital Lease Payable	(117,638)
Compensated Absences	(126,602)
Fair Value of Derivative Instruments	<u>(225,481)</u>
Net Assets of Governmental Activities	<u><u>\$ 27,041,737</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, 2011

	General Fund	Capital Reserve Fund	Impact Fees Fund
Revenues			
Taxes	\$ 5,787,642	\$ 0	\$ 0
Intergovernmental	1,096,179	35,343	0
Charges for Services	1,045,141	0	0
Fines, Licenses and Permits	398,761	0	0
Interest Income and Rents	17,299	620	2,388
Miscellaneous Revenues	264,079	7,500	41,471
Total Revenues	<u>8,609,101</u>	<u>43,463</u>	<u>43,859</u>
Expenditures			
General Government	968,949	0	76,899
Public Safety	3,769,976	9,240	0
Public Works	1,034,199	0	0
Parks and Recreation	0	3,496	0
Debt Service - Principal	721,000	0	0
Debt Service - Interest	0	0	0
Capital Expenditures	539,194	61,976	0
Insurance and Employee Benefits	1,993,302	0	0
Miscellaneous Governmental	37,302	0	0
Total Expenditures	<u>9,063,922</u>	<u>74,712</u>	<u>76,899</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(454,821)</u>	<u>(31,249)</u>	<u>(33,040)</u>
Other Financing Sources (Uses)			
Proceeds from Issuance of Long-Term Debt	745,000	0	0
Operating Transfers In (Out)	103,500	47,139	0
Total Other Financing Sources (Uses)	<u>848,500</u>	<u>47,139</u>	<u>0</u>
Net Change in Fund Balances	393,679	15,890	(33,040)
Fund Balances			
Beginning of Year	<u>578,355</u>	<u>180,540</u>	<u>765,289</u>
End of Year	<u>\$ 972,034</u>	<u>\$ 196,430</u>	<u>\$ 732,249</u>

See Notes to Financial Statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 898,860	\$ 6,686,502
650,642	1,782,164
72,326	1,117,467
0	398,761
25,083	45,390
70,095	383,145
<u>1,717,006</u>	<u>10,413,429</u>
0	1,045,848
244,559	4,023,775
138,771	1,172,970
342,608	346,104
177,586	898,586
117,919	117,919
69,145	670,315
0	1,993,302
0	37,302
<u>1,090,588</u>	<u>10,306,121</u>
<u>626,418</u>	<u>107,308</u>
0	745,000
(374,131)	(223,492)
<u>(374,131)</u>	<u>521,508</u>
252,287	628,816
<u>631,096</u>	<u>2,155,280</u>
<u>\$ 883,383</u>	<u>\$ 2,784,096</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, 2011

Net Change in Fund Balances - Total Governmental Funds	\$ 628,816
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 \$670,315 and Road Dedications of \$750,000 Exceeded Depreciation Expense of \$939,739 and the Net Book Value of Assets Sold of \$6,107 in the Current Year.	474,468
Revenues in the Statement of Activities That Do Not Provide Current Financial Resources Are Not Reported As Revenues in the Funds.	66,073
Repayment of Notes Payable and Capital Lease Principal Is An Expenditure in the Governmental Funds, but the Repayment Reduces Liabilities in the Statement of Net Assets.	898,586
Proceeds from Issuance of Long-Term Debt	(745,000)
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	5,107
Change in Fair Value of Derivative Instruments	(78,354)
Change in Net Assets of Governmental Activities	<u>\$ 1,249,696</u>

See Notes to Financial Statements.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Statement of Net Assets
Proprietary Funds - Pool Fund
December 31, 2011

Assets

Current Assets	
Cash	\$ 17,586
Noncurrent Assets	
Capital Assets	<u>5,943,837</u>
Total Assets	<u>5,961,423</u>

Liabilities

Current Liabilities	
Current Portion of General Obligation Note	106,000
Accounts Payable and Accrued Expenses	3,514
Accrued Wages and Payroll Taxes	<u>2,601</u>
Total Current Liabilities	<u>112,115</u>
Noncurrent Liabilities	
General Obligation Note Payable	2,799,000
Fair Value of Derivative Instrument	<u>224,184</u>
Total Noncurrent Liabilities	<u>3,023,184</u>
Total Liabilities	<u>3,135,299</u>

Net Assets

Invested in Capital Assets, Net of Related Debt	2,814,653
Unrestricted	<u>11,471</u>
Total Net Assets	<u>\$ 2,826,124</u>

See Notes to Financial Statements.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds - Pool Fund
Year Ended December 31, 2011

Operating Revenues	
Charges and Fees	\$ 576,900
Rental Fees	9,197
Miscellaneous	1,000
Total Operating Revenues	<u>587,097</u>
Operating Expenses	
Salaries and Benefits	353,117
Depreciation	170,975
Pool Supplies	62,167
Repairs and Maintenance	45,726
Utilities	43,825
Office Supplies and Expenses	10,183
Other Expenses	14,388
Uniforms	4,457
Total Operating Expenses	<u>704,838</u>
Operating Loss Before Nonoperating Revenues	<u>(117,741)</u>
Nonoperating Revenues (Expenses)	
Interest Income	283
Interest Expense	(112,218)
Transfers from Other Funds	223,492
Total Nonoperating Revenue (Expenses)	<u>111,557</u>
Other Uses	
Decrease in Fair Value of Derivative Instruments	<u>(62,019)</u>
Change in Net Assets	(68,203)
Net Assets	
Beginning of Year	<u>2,894,327</u>
End of Year	<u><u>\$ 2,826,124</u></u>

See Notes to Financial Statements.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2011

Cash Flows from Operating Activities	
Receipts from Customers	\$ 587,097
Payments to Suppliers	(180,542)
Payments to Employees	(353,898)
Net Cash Provided by Operating Activities	<u>52,657</u>
Cash Flows from Noncapital Financing Activities	
Transfers from Other Funds	<u>223,492</u>
Cash Flows from Capital and Related Financing Activities	
Purchase of Capital Assets	(73,384)
Proceeds from Issuance of General Obligation Note	745,000
Principal Paid on Capital Debt	(854,000)
Interest Paid on Capital Debt	(112,218)
Net Cash Used in Capital and Related Financing Activities	<u>(294,602)</u>
Cash Flows from Investing Activities	
Interest Income	<u>283</u>
Net Decrease in Cash	(18,170)
Cash	
Beginning of Year	<u>35,756</u>
End of Year	<u><u>\$ 17,586</u></u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating Loss	\$ (117,741)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities	
Depreciation Expense	170,975
Change in Net Assets and Liabilities	
Accounts Payable and Accrued Expenses	204
Accrued Wages and Payroll Taxes	(781)
Net Cash Provided by Operating Activities	<u><u>\$ 52,657</u></u>

See Notes to Financial Statements.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2011**

	<u>Pension Trust Funds</u>	<u>Agency Fund</u>
Assets		
Cash and Cash Equivalents	\$ 275,665	\$ 866,592
Investments	11,116,376	0
Accrued Interest Receivable	<u>35,037</u>	<u>0</u>
Total Assets	<u>11,427,078</u>	<u>866,592</u>
Liabilities		
Accounts Payable	0	24,023
Escrow Deposits	<u>0</u>	<u>842,569</u>
Total Liabilities	<u>0</u>	<u>\$ 866,592</u>
Net Assets		
Held in Trust for Pension Benefits	<u>\$ 11,427,078</u>	

See Notes to Financial Statements.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended December 31, 2011**

Additions	
Contributions	
Plan Members	\$ 101,732
State	436,522
Employer	185,986
Total Contributions	<u>724,240</u>
Investment Earnings	
Net Decrease in Fair Value of Investments	(215,351)
Dividends	265,469
	<u>50,118</u>
Less Investment Expense	(46,454)
Total Net Investment Earnings	<u>3,664</u>
Miscellaneous Revenue	<u>1,093</u>
Total Additions	<u>728,997</u>
Deductions	
Benefits	469,299
Administrative Expense	6,510
Total Deductions	<u>475,809</u>
Change in Net Assets	253,188
Net Assets, Held in Trust	
Beginning of Year	<u>11,173,890</u>
End of Year	<u>\$ 11,427,078</u>

See Notes to Financial Statements.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2011

1. Summary of Significant Accounting Policies

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

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

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

A. Reporting Entity

The Township's financial reporting entity comprises the following:

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

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2011

1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Government Accounting Standards Board (GASB) Statement No. 14 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.

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

Blended Component Units

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

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

Discretely Presented Component Units

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

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

B. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Assets 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.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2011**

1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

GOVERNMENT-WIDE FINANCIAL STATEMENTS (Continued)

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 assets should be reported as restricted when constraints placed on net asset 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 assets restricted for other purposes result from special revenue funds and the restrictions on their net asset 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, 2011**

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, 2011**

1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

FUND FINANCIAL STATEMENTS (Continued)

Governmental Funds (Continued)

Special Revenue Funds (Continued)

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

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

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

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

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2011**

1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

FUND FINANCIAL STATEMENTS (Continued)

Proprietary Funds

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

Fiduciary Funds

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

C. Measurement Focus and Basis of Accounting

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

Measurement Focus

On the government-wide Statement of Net Assets 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, 2011**

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 assets (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 assets.
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 Assets 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 year end. 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, 2011**

1. Summary of Significant Accounting Policies (Continued)

D. 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.

E. 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.

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 Assets. See Note 9 for details of interfund transactions, including receivables and payables at year end.

G. Receivables

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

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2011

1. Summary of Significant Accounting Policies (Continued)

G. Receivables (Continued)

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 year end and not yet received.

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 Assets. 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

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2011**

1. Summary of Significant Accounting Policies (Continued)

H. Capital Assets (Continued)

Fund Financial Statements

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

I. Long-Term Debt

The accounting treatment of long-term debt 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 debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The 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 \$126,602 for vested compensatory time at December 31, 2011.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2011**

1. Summary of Significant Accounting Policies (Continued)

K. Equity Classifications

Government-Wide Statements

Equity is classified as net assets 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 assets** - Consists of net assets 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 assets** - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

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

Nonspendable – includes amounts that cannot be spent because they are not in spendable form or they are legally or contractually required to be kept intact. The Township did not have any nonspendable fund balances at December 31, 2011.

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

Committed – includes amounts that can only be used for specific purposes with constraints that are established by a formal action of the Board of Commissioners. The constraint can only be changed or removed by another formal action of the Board. The Township's fund balance policy requires passage of a Resolution or an Ordinance by the Board in order to set aside funds as Committed. The Township did not have any committed fund balances at December 31, 2011.

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

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2011**

1. Summary of Significant Accounting Policies (Continued)

K. Equity Classifications (Continued)

Fund Statements (Continued)

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

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

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

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

L. 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.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2011

1. Summary of Significant Accounting Policies (Continued)

M. 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.

N. 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.

2. Cash and Investments

Cash and investments as of December 31, 2011, are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash	\$ 2,371,470
Statement of Fiduciary Net Assets:	
Cash	1,142,257
Investments	<u>11,116,376</u>
Total Cash and Investments	<u>\$ 14,630,103</u>

Cash and investments as of December 31, 2011, consist of the following:

Deposits with Financial Institutions	\$ 3,238,062
Money Market Funds	275,665
Investments	<u>11,116,376</u>
Total Cash and Investments	<u>\$ 14,630,103</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2011

2. Cash and Investments (Continued)

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, 2011, \$3,838,621 of the Township's bank balance of \$4,098,638 was uninsured but collateralized by securities held by the bank or by its trust department or agent, but not in the Township's name.

B. Investments

At December 31, 2011, the Township's investments consisted of the following:

Fiduciary Funds:	
Certificates of Deposit	\$ 570,000
Common Stocks	5,764,456
Mortgage and Asset-Backed Securities	1,328,080
Corporate Bonds	1,438,834
Mutual Funds	<u>2,015,006</u>
 Total Investments	 <u><u>\$ 11,116,376</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.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2011

2. Cash and Investments (Continued)

B. Investments (Continued)

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 \$275,665 are covered by Securities Investor Protection Corporation up to \$250,000. The certificates of deposit of \$570,000 are fully covered by the Federal Deposit Insurance Corporation in various banking institutions.

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, 2011, the Township's investments were rated by Moody's as follows:

	<u>Fair Value</u>	<u>Rating</u>
Investments		
Federal Home Loan Bank	\$ 390,696	Aaa
Federal Farm Credit Bank	161,039	Aaa
Federal Agricultural Mtg. Co	85,181	Aaa
Federal Home Loan Mortgage Association	317,772	Aaa
Federal National Mortgage Association	373,392	Aaa
Corporate Bonds	1,438,834	Aa2 – Baa2
Total Exposed to Credit Risk	2,766,914	
Not Rated**	8,349,462	
Total Investments	<u>\$ 11,116,376</u>	

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

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2011

2. Cash and Investments (Continued)

B. Investments (Continued)

Concentration of Credit Risk

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

Vanguard FTSE All World ETF	\$712,828
American Funds EuroPacific Growth	\$719,243
Federal Home Loan Bank	\$140,440

Interest Rate Risk

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

The Township's investments at December 31, 2011, including the following:

<u>Remaining Maturities</u>	<u>Mortgage and Asset-Backed Securities</u>	<u>Corporate Bonds</u>
1 Year or Less	\$ 0	\$ 76,552
2 - 5 Years	438,415	548,992
5 - 10 Years	889,665	813,290
 Total	 <u>\$ 1,328,080</u>	 <u>\$ 1,438,834</u>

The Township's investments shown above have remaining maturity dates that range from the years 2012 to 2021. The securities with longer maturity dates are highly sensitive to interest rate risk.

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 and other applicants. Escrow deposits of \$842,569 represent the net developer balances held at December 31, 2011.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2011

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 \$1,125,900,981 for 2011. 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 14 mills of assessed property valuation for general purposes (19 mills with court approval), and 3 mills for fire tax purposes. The Township had the following millage rates for the year ended December 31, 2011: general purposes, 2.95 mills; fire tax purposes, .310 mills; park and recreation, .220 mills; debt service, .555 mills.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2011

5. Capital Assets

Capital asset activity for the year ended December 31, 2011, was as follows:

	Balance 1/1/11	Additions	Disposals	Balance 12/31/11
Governmental Activities				
Assets Not Being Depreciated				
Land	\$ 8,287,686	\$ 400,000	\$ 0	\$ 8,687,686
Depreciable Assets				
Land Improvements	709,392	5,340	0	714,732
Buildings and Improvements	7,668,228	75,500	0	7,743,728
Park Equipment and Improvements	522,544	15,202	0	537,746
Equipment	325,234	53,387	11,106	367,515
Vehicles	1,723,485	157,630 **	25,410	1,855,705
Furniture and Fixtures	55,187	0	0	55,187
Infrastructure	20,164,973	759,026 *	0	20,923,999
Total at Historical Cost	39,456,729	1,466,085	36,516	40,886,298
Less Accumulated Depreciation				
Land Improvements	248,823	24,079	0	272,902
Buildings and Improvements	1,858,271	199,513	0	2,057,784
Park Equipment and Improvements	328,162	28,434	0	356,596
Equipment	170,368	32,354	10,928	191,794
Vehicles	951,192	165,707	19,481	1,097,418
Furniture and Fixtures	26,755	5,519	0	32,274
Infrastructure	9,490,589	484,133	0	9,974,722
Total Accumulated Depreciation	13,074,160	939,739	30,409	13,983,490
Total Governmental Activities Net Capital Assets	<u>\$ 26,382,569</u>	<u>\$ 526,346</u>	<u>\$ 6,107</u>	<u>\$ 26,902,808</u>
Business-Type Activities				
Pool	\$ 6,649,690	\$ 73,385	\$ 0	\$ 6,723,075
Less Accumulated Depreciation	608,263	170,975	0	779,238
Total Business-Type Net Capital Assets	<u>\$ 6,041,427</u>	<u>\$ (97,590)</u>	<u>\$ 0</u>	<u>\$ 5,943,837</u>

* Includes road dedication valued at \$750,000.

** Includes equipment acquired through a capital lease of \$45,770.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2011**

5. Capital Assets (Continued)

Depreciation expense was charged to programs as follows:

Governmental Activities	
General Government	\$ 147,552
Police	99,626
Highway Maintenance	604,361
Parks	73,027
Code Enforcement	15,173
	<u>939,739</u>
Business-Type Activities	
Pool	<u>170,975</u>
Total Depreciation Expense	<u>\$ 1,110,714</u>

6. Long-Term Debt

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

	Balance 1/1/11	Proceeds	Principal Payments	Balance 12/31/11
Governmental Activities				
2003 General Obligation Note - Series A	\$ 1,399,000	\$ 0	\$ 481,000	\$ 918,000
2003 General Obligation Note - Series B	1,500,000	0	375,000	1,125,000
2011 General Obligation Note - Series B	0	745,000	0	745,000
Business-Type Activities				
2006 General Obligation Note	3,014,000		854,000	2,160,000
2011 General Obligation Note - Series A	<u>0</u>	<u>745,000</u>	<u>0</u>	<u>745,000</u>
	<u>\$ 5,913,000</u>	<u>\$ 1,490,000</u>	<u>\$ 1,710,000</u>	<u>\$ 5,693,000</u>

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2011**

6. Long-Term Debt (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 D) and entering into a fixed rate swap (see Note 13). 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 13). For the Series A portion, principal payments are due on June 25 of each year as shown below. For the Series B portion, principal payments are due on June 25 of each year, beginning in the year 2018, as shown below. These notes were issued for the purpose of constructing a new Township administration building and renovating other Township properties. These notes were issued as non-electoral debt. The Township has pledged its full faith and taxing power, and is required to include in its budget for each year the amount of debt service on the notes, which will be payable in such fiscal year.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2011**

6. Long-Term Debt (Continued)

A. 2003 General Obligation Note - Series A and B (Continued)

The revised debt service requirements for the 2003 General Obligation Note, Series A and B, are shown below.

<u>Year</u>	<u>Principal</u>	<u>12/31/11 Interest Rate</u>	<u>Interest</u>	<u>Total Debt Service</u>
Series A				
2012	\$ 141,000	3.62 – 4.499%	\$ 29,898	\$ 170,898
2013	144,000	3.62 – 4.499%	29,478	173,478
2014	150,000	3.62 – 4.499%	23,332	173,332
2015	156,000	3.62 – 4.499%	16,935	172,935
2016	162,000	3.62 – 4.499%	10,286	172,286
2017	165,000	3.62 – 4.499%	3,450	168,450
	<u>\$ 918,000</u>		<u>\$ 113,379</u>	<u>\$ 1,031,379</u>
Series B				
2012	\$ 0	4.00 – 4.575%	\$ 48,840	\$ 48,840
2013	0	4.00 – 4.575%	48,840	48,840
2014	0	4.00 – 4.575%	48,840	48,840
2015	0	4.00 – 4.575%	48,840	48,840
2016	0	4.00 – 4.575%	48,840	48,840
2017-2021	723,000	4.00 – 4.575%	182,922	905,922
2022-2023	402,000	4.00 – 4.575%	17,582	419,582
	<u>\$ 1,125,000</u>		<u>\$ 444,704</u>	<u>\$ 1,569,704</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2011

6. Long-Term Debt (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 D) and entering into a fixed rate swap (see Note 13). 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 13). 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.

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

<u>Year</u>	<u>Principal</u>	<u>12/31/11 Interest Rate</u>	<u>Interest</u>	<u>Total Debt Service</u>
2012	\$ 105,000	3.95 – 4.475%	\$ 90,596	\$ 195,596
2013	111,000	3.95 – 4.475%	86,034	197,034
2014	114,000	3.95 – 4.475%	81,259	195,259
2015	120,000	3.95 – 4.475%	76,314	196,314
2016	126,000	3.95 – 4.475%	71,112	197,112
2017-2021	708,000	3.95 – 4.475%	269,528	977,528
2022-2026	876,000	3.95 – 4.475%	102,533	978,533
	<u>\$ 2,160,000</u>		<u>\$ 777,376</u>	<u>\$ 2,937,376</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2011

6. Long-Term Debt (Continued)

C. 2011 General Obligation Note - Series A and B

On January 25, 2011, 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 13), which fixed its interest rate for the note proceeds at 2.42% (Series A) and 3.10% (Series B). Principal payments are due on January 25 of each year as shown below. These notes were issued for the purpose of refunding the variable portions of the 2003 (Series A and B) and 2006 General Obligation Bonds. These notes were issued as non-electoral debt. The Township has pledged its full faith and taxing power, and is required to include in its budget for each year the amount of debt service on the notes, which will be payable in such fiscal year.

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

<u>Year</u>	<u>Principal</u>	<u>12/31/11 Interest Rate</u>	<u>Interest</u>	<u>Total Debt Service</u>
Series A				
2012	\$ 1,000	2.42%	\$ 18,017	\$ 19,017
2013	1,000	2.42%	17,993	18,993
2014	1,000	2.42%	17,969	18,969
2015	1,000	2.42%	17,944	18,944
2016	1,000	2.42%	17,920	18,920
2017-2021	5,000	2.42%	89,237	94,237
2022-2026	290,000	2.42%	78,650	368,650
2027-2030	445,000	2.42%	21,986	466,986
	<u>\$ 745,000</u>		<u>\$ 279,716</u>	<u>\$ 1,024,716</u>
Series B				
2012	\$ 0	3.10%	\$ 23,095	\$ 23,095
2013	0	3.10%	23,095	23,095
2014	0	3.10%	23,095	23,095
2015	0	3.10%	23,095	23,095
2016	0	3.10%	23,095	23,095
2017-2021	0	3.10%	115,475	115,475
2022-2026	303,000	3.10%	101,355	404,355
2027-2030	442,000	3.10%	27,962	469,962
	<u>\$ 745,000</u>		<u>\$ 360,267</u>	<u>\$ 1,105,267</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2011

6. Long-Term Debt (Continued)

D. Current Refunding of Long-Term Debt

On January 25, 2011, the Township issued General Obligation Notes in the amount of \$1,490,000 for the purpose of the refunding of the variable portion of the 2003 (Series A & B) and 2006 General Obligation Notes. The General Obligation Notes had variable interest rates and were scheduled to mature 2017 through 2023. The refunding met the requirements of a current refunding, which means that the variable portion of the 2003 and 2006 notes were called and refunded in full on January 25, 2011.

E. Interest Expense

Interest expense during the year on all the above-noted long-term debt totaled \$224,187.

7. Capital Lease Payable

The Township entered into lease agreements for the acquisition of a street sweeper and a brine truck. Annual lease payments of \$31,777 and \$16,759 are due through the year 2014. The capitalized cost of the leased equipment is \$190,460 and accumulated depreciation is \$31,104 at December 31, 2011. At December 31, 2011, future lease payments are due as follows:

<u>Year</u>	<u>Amount</u>
2012	\$ 48,536
2013	48,536
2014	31,742
	<u>128,814</u>
Less Interest Portion	<u>(11,176)</u>
	<u>\$ 117,638</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2011

8. Fund Balance Classifications

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Impact Fees Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Restricted for:					
Capital Acquisition or Construction	\$ 30,540	\$ 31,847	\$ 676,175	\$ 6,200	\$ 744,762
Highway Improvements	0	0	0	458,893	458,893
Debt Service	0	0	0	23,900	23,900
	<u>30,540</u>	<u>31,847</u>	<u>676,175</u>	<u>488,993</u>	<u>1,227,555</u>
Assigned for:					
Capital Acquisition or Construction	0	164,583	56,074	15,000	235,657
Fire Protection	0	0	0	10,498	10,498
Parks and Recreation	0	0	0	62,308	62,308
Community Pool Improvements	0	0	0	159,919	159,919
Community Recycling	0	0	0	146,235	146,235
Debt Service	0	0	0	430	430
	<u>0</u>	<u>164,583</u>	<u>56,074</u>	<u>394,390</u>	<u>615,047</u>
Unassigned	<u>941,494</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>941,494</u>
Total Fund Balances	<u>\$ 972,034</u>	<u>\$ 196,430</u>	<u>\$ 732,249</u>	<u>\$ 883,383</u>	<u>\$ 2,784,096</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2011

9. Interfund Transactions

Interfund transactions are as follows:

Purpose	Receivable Fund	Payable Fund	Amount
Due To/From			
Tax Revenues to be Distributed	Fire	General	\$8,343
Tax Revenues to be Distributed	Park & Recreation	General	\$5,803
Payroll to be Reimbursed	General	Park & Recreation	\$5,204
Borrowed for Capital Purchase	Impact Fees	General	\$200,000
Setup New Funds as per Budget	Equipment Reserve	Fire	\$15,000
Transfers			
Operating Expenses	General	Contribution	\$39,000
Operating Expenses	General	Park & Recreation	\$80,000
To Set Up New Funds	Equipment Reserve	Fire	\$15,000
Capital Expenditures	Capital Reserve	Park & Recreation	\$45,000
Operating Expenses	Pool & Open Space	Pool	\$80,000
Operating Expenses	Park & Recreation	Contribution	\$6,000
Debt Service	Pool	General	\$15,500
Debt Service	Capital Reserve	Debt Service	\$2,139
Debt Service	Pool	Debt Service	\$214,607
Capital Purchases	Pool	Pool & Open Space	\$73,385

10. Deferred Compensation Plans

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

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

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

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2011**

11. Defined Benefit Pension Plans

A. Description of Plans

The Township contributes to two single-employer defined benefit pension plans, Hatfield Township Police Pension Plan and Hatfield Township Non-Uniform Employees' Pension Plan established by Resolutions 92-03 and 74-16, respectively. Assets are held separately and may only be used for the payment of benefits to members of the Plan. The plans are governed by Hatfield Township Board of Commissioners who are responsible for the management of the assets of the plans. The Township has delegated the authority to manage certain plan assets to Univest Bank and Trust Co.

Additional disclosures required by GASB Statement No. 25 are contained in separate financial reports of the plans prepared by the plans' actuary. A copy of the plans' financial statements can be obtained at the Township Municipal Office.

Membership of each plan consisted of the following at January 1, 2011, the date of the latest actuarial valuation:

	<u>Police</u>	<u>Non-Uniform</u>
Active Employees	25	26
Retirees and Beneficiaries Currently Receiving Benefits	12	7
Terminated Employees Entitled to Benefits but Not Yet Receiving Them	<u>4</u>	<u>3</u>
Total	<u>41</u>	<u>36</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2011

11. Defined Benefit Pension Plans (Continued)

A. Description of Plans (Continued)

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

Covered Employees:	All full-time uniformed employees.
Current Annual Covered Payroll (2011):	\$2,593,913
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 children under the age of 18.
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.
Other Benefits	
Pre-Retirement Death Benefit:	If any participant dies in service, then participant's surviving spouse shall be entitled to 100% of the participant's monthly compensation at the date of participant's death for life or until remarried. If no spouse, then payable to children under the age of 18.
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, 2011**

11. Defined Benefit Pension Plans (Continued)

A. Description of Plans (Continued)

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

Covered Employees:	All full-time non-uniformed employees.
Current Annual Covered Payroll (2011):	\$1,714,817
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:	N/A

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2011**

11. Defined Benefit Pension Plans (Continued)

A. Description of Plans (Continued)

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.

B. Funding Policy

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 current rate is 16.1% of annual covered payroll for police and 10.9% for non-uniformed employees.

C. Annual Pension Cost and Net Pension Obligation

During 1998, the Township adopted GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*. This statement sets forth provisions for recognizing annual pension cost and a net pension obligation or asset. In adopting this statement, the net pension asset was calculated in accordance with GASB 27. No asset or liability was reflected prior to implementation of GASB 27.

The Township's annual pension cost for the police and non-uniform plans was \$466,638 and \$155,870 for the year, respectively.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2011**

11. Defined Benefit Pension Plans (Continued)

C. Annual Pension Cost and Net Pension Obligation (Continued)

The annual required contribution for the current year was determined as part of the January 1, 2011, biannual actuarial valuation using the Entry Age Normal Actuarial Cost Method. The actuarial assumptions included (a) 8.0% investment rate of return (net of administrative expenses) and (b) projected salary increases of 5% per annum. The unfunded actuarial accrued liability is being amortized using the level dollar method.

Three-Year Trend Information

<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset</u>
Police Pension Plan			
12/31/09	\$334,873	100%	\$0
12/31/10	\$351,857	100%	\$0
12/31/11	\$466,638	100%	\$0
Non-Uniform Pension Plan			
12/31/09	\$105,082	100%	\$0
12/31/10	\$136,245	100%	\$0
12/31/11	\$155,870	100%	\$0

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2011**

11. Defined Benefit Pension Plans (Continued)

D. Funding Status and Funding Progress

	(1)	(2)	(3)	(4)	(5)	(6)
				Unfunded (assets in excess of) Actuarial Accrued Liability	Projected Annual Covered Payroll	Unfunded (assets in excess of) Actuarial Accrued Liability as % of Payroll
<u>Valuation January 1st</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Percentage Funded</u>	<u>(1)-(2)</u>	<u>(2)-(1)</u>	<u>(4)/(5)</u>
Police Pension Plan						
2011	\$9,790,646	\$13,226,698	74.0%	\$3,436,052	\$2,307,284	148.9%
Non-Uniform Pension Plan						
2011	\$1,906,718	\$2,108,232	90.4%	\$201,514	\$1,455,781	13.8%

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits. Additional information as of the latest actuarial valuation follows.

	<u>Police</u>	<u>Non-Uniform</u>
Valuation Date	1/1/11	1/1/11
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Dollar Closed	Level Dollar Closed
Amortization Period	13 Years	17 Years
Asset Valuation Method	Up to 120% of Fair Value	Up to 120% of Fair Value
Actuarial Assumptions		
Investment Rate of Return	8%	8%
Projected Salary Increases	5%	5%
Cost of Living Adjustments	4%	N/A

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2011**

11. Defined Benefit Pension Plans (Continued)

E. Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Trend information may be found beginning on page 66.

12. Post-Employment Benefits

A. Police

In addition to the pension benefits described in Note 11, the Township provides post-employment health care benefits through a defined contribution plan, in accordance with the retiree medical plan, to all uniformed employees who retire from the Township in accordance to the criteria listed in Note 11.

The Township makes yearly contributions to a medical reimbursement account established on behalf of each eligible employee, based on years of service as of the effective date of the plan. As required by the union contract, the contribution for the year ended December 31, 2011, was \$0. 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.

The plan became effective January 1, 2004. Currently, there are no retirees receiving benefits and 25 uniformed employees are receiving contributions in their medical reimbursement account.

B. Non-Uniform

Effective January 1, 2007, the Township adopted a retirement health savings plan for non-uniformed employees. In 2011, the Township contributed 1.5% of the salary of full-time, non-uniformed employees, or \$21,400. 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 two retirees receiving benefits and 26 non-uniformed employees are receiving contributions.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2011

13. Derivative Instruments and Hedging Activities

A. 2003 General Obligation Note, Series A and B

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

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

Note	Principal	Interest Rate
Series A		
2003, Note a	\$ 306,000	3.620%
2003, Note b	306,000	4.425%
2003, Note c	<u>306,000</u>	4.499%
Total	<u>\$ 918,000</u>	
Series B		
2003, Note a	\$ 375,000	4.000%
2003, Note b	375,000	4.449%
2003, Note c	<u>375,000</u>	4.575%
Total	<u>\$ 1,125,000</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 cash flow hedge. The market value of the interest rate swap in favor of the Delaware Valley Regional Finance Authority as of December 31, 2011, was \$163,587 and is recorded in the governmental funds in the statement of net assets.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2011**

13. Derivative Instruments and Hedging Activities (Continued)

B. 2006 General Obligation Note

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

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

<u>Note</u>	<u>Principal</u>	<u>Interest Rate</u>
2006, Note a	\$ 720,000	3.950%
2006, Note b	720,000	4.365%
2006, Note c	<u>720,000</u>	4.475%
Total	<u>\$ 2,160,000</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 cash flow hedge. The market value of the interest rate swap in favor of the Delaware Valley Regional Finance Authority as of December 31, 2011, was \$188,616 and is recorded as a business-type activity in the statement of net assets.

C. 2011 General Obligation Note, Series A and B

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

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2011

13. Derivative Instruments and Hedging Activities (Continued)

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

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

Note	Principal	Interest Rate
2011, Series A	\$ 745,000	2.42%
2011, Series B	<u>745,000</u>	3.10%
Total	<u>\$ 1,490,000</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 cash flow hedge. For Series A, the market value of the interest rate swap in favor of the Delaware Valley Regional Finance Authority as of December 31, 2011, was \$35,568 and is recorded in the business-type activity in the statement of net assets. For Series B, the market value of the interest rate swap in favor of the Delaware Valley Regional Finance Authority as of December 31, 2011, was \$61,894 and is recorded in the governmental funds in the statement of net assets.

D. Derivative Instrument Activity

	Governmental Funds			Business-Type Activity		
	2003 GON	2011 GON Series B	Total	2006 GON	2011 GON Series A	Total
Fair Value of Derivative Instrument on December 31, 2010	\$ (147,127)	\$ 0	\$ (147,127)	\$ (162,164)	\$ 0	\$ (162,164)
Change in Fair Value	<u>(16,460)</u>	<u>(61,894)</u>	<u>(78,354)</u>	<u>(26,452)</u>	<u>(35,568)</u>	<u>(62,020)</u>
Fair Value of Derivative Instrument on December 31, 2011	<u>\$ (163,587)</u>	<u>\$ (61,894)</u>	<u>\$ (225,481)</u>	<u>\$ (188,616)</u>	<u>\$ (35,568)</u>	<u>\$ (224,184)</u>

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2011**

14. 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 Insurance Trust (DVHIT). DVHIT is a regional risk sharing pool providing health insurance benefits to employees and dependents of participating municipalities.

b. Workers' Compensation Coverage

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

c. Insurance Coverage

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

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

15. 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.

16. Commitments

The Township has received approval for several grants totaling approximately \$810,000 in 2012 for various capital projects.

17. Subsequent Events

Management has evaluated subsequent events through May 15, 2012, the date which the financial statements were available to be issued.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Required Supplementary Information
Schedule of Pension Plan Funding Progress
December 31, 2011
(Unaudited)

	(1)	(2)	(3)	(4)	(5)	(6)
				Unfunded (assets in excess of)		Unfunded (assets in excess of)
Valuation January 1st	Actuarial Value of Assets	Actuarial Accrued Liability	Percentage Funded	Actuarial Accrued Liability	Projected Annual Covered Payroll	Actuarial Accrued Liability as % of Payroll
			(1)/(2)	(2)-(1)		(4)/(5)

POLICE PENSION PLAN

2003	\$6,088,356	\$7,033,103	86.6%	\$944,747	\$1,440,109	65.6%
2005	\$7,150,086	\$8,508,364	84.0%	\$1,358,278	\$1,803,538	75.3%
2007	\$8,288,815	\$9,411,074	88.1%	\$1,122,259	\$1,834,662	61.2%
2009	\$8,721,749	\$11,273,011	77.4%	\$2,551,262	\$2,287,771	111.5%
2011	\$9,790,646	\$13,226,698	74.0%	\$3,436,052	\$2,307,284	148.9%

NON-UNIFORM PENSION PLAN

2003	\$760,839	\$723,675	105.1%	\$(37,164)	\$864,724	(4.3)%
2005	\$1,034,200	\$954,766	108.3%	\$(79,434)	\$960,496	(8.3)%
2007	\$1,330,795	\$1,233,409	107.9%	\$(97,386)	\$1,013,804	(9.6)%
2009	\$1,586,213	\$1,508,727	105.1%	\$(77,486)	\$1,256,563	(6.2)%
2011	\$1,906,718	\$2,108,232	90.4%	\$201,514	\$1,455,781	13.8%

Isolated analysis of the dollar amounts of net assets available for benefits, actuarial accrued liability, and unfunded actuarial accrued liability can be misleading. Expressing the net assets available for benefits as a percentage of the actuarial accrued liability provides one indication of the Township's police public employee retirement systems (PERS) funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the PERS. Trends in unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the PERS.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Required Supplementary Information
Schedule of Contributions from Employers and Other Contributing Entities
December 31, 2011
(Unaudited)

<u>Year</u>	<u>Annual Required Contribution (ARC)</u>	<u>Employer Contribution</u>	<u>State Aid</u>	<u>Contributions as a % of ARC</u>
POLICE PENSION PLAN				
2002	\$0	\$0	\$0	100.0%
2003	\$69,474	\$0	\$84,296	100.0%
2004	\$96,715	\$0	\$117,061	100.0%
2005	\$274,706	\$142,146	\$132,560	100.0%
2006	\$289,943	\$135,517	\$154,426	100.0%
2007	\$313,459	\$146,461	\$166,998	100.0%
2008	\$322,840	\$156,108	\$166,732	100.0%
2009	\$334,873	\$173,862	\$161,011	100.0%
2010	\$351,857	\$190,115	\$161,742	100.0%
2011	\$466,638	\$30,116	\$436,522	100.0%
NON-UNIFORM PENSION PLAN				
2002	\$0	\$0	\$37,460	100.0%
2003	\$42,524	\$0	\$51,609	100.0%
2004	\$66,868	\$0	\$80,911	100.0%
2005	\$90,274	\$26,740	\$63,534	100.0%
2006	\$95,431	\$27,484	\$67,947	100.0%
2007	\$106,600	\$33,119	\$73,481	100.0%
2008	\$116,668	\$44,425	\$72,243	100.0%
2009	\$105,082	\$37,748	\$67,334	100.0%
2010	\$136,245	\$55,374	\$80,871	100.0%
2011	\$155,870	\$155,870	\$0	100.0%

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
General Fund
Year Ended December 31, 2011

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Taxes	\$ 5,539,690	\$ 5,787,642	\$ 247,952
Intergovernmental	404,940	1,096,179	691,239
Charges for Services	1,124,350	1,045,141	(79,209)
Fines, Licenses and Permits	379,620	398,761	19,141
Interest Income and Rents	20,400	17,299	(3,101)
Miscellaneous Revenues	112,500	264,079	151,579
Total Revenues	<u>7,581,500</u>	<u>8,609,101</u>	<u>1,027,601</u>
Expenditures			
General Government	994,325	968,949	25,376
Public Safety	3,736,906	3,769,976	(33,070)
Public Works	982,656	1,034,199	(51,543)
Debt Service - Principal	0	721,000	(721,000)
Capital Expenditures	0	539,194	(539,194)
Insurance and Employee Benefits	2,017,178	1,993,302	23,876
Miscellaneous Governmental	36,084	37,302	(1,218)
Total Expenditures	<u>7,767,149</u>	<u>9,063,922</u>	<u>(1,296,773)</u>
Deficiency of Revenues Over Expenditures	<u>(185,649)</u>	<u>(454,821)</u>	<u>(269,172)</u>
Other Financing Sources (Uses)			
Proceeds from Issuance of Long-Term Debt	0	745,000	745,000
Operating Transfers In (Out)	119,000	103,500	(15,500)
Total Other Financing Sources (Uses)	<u>119,000</u>	<u>848,500</u>	<u>729,500</u>
Net Change in Fund Balances	(66,649)	393,679	460,328
Fund Balances			
Beginning of Year	<u>372,650</u>	<u>578,355</u>	<u>205,705</u>
End of Year	<u>\$ 306,001</u>	<u>\$ 972,034</u>	<u>\$ 666,033</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, 2011**

1. Basis of Presentation

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

The Township did not amend its 2011 budget as originally adopted and, therefore, is presenting its original and final budget in one column for each fund presented.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
Capital Reserve Fund
Year Ended December 31, 2011

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Intergovernmental	\$ 45,000	\$ 35,343	\$ (9,657)
Interest Income and Rents	1,500	620	(880)
Miscellaneous Revenues	30,000	7,500	(22,500)
Total Revenues	<u>76,500</u>	<u>43,463</u>	<u>(33,037)</u>
Expenditures			
Public Safety	20,000	9,240	10,760
Public Works	0	0	0
Parks and Recreation	93,000	3,496	89,504
Debt Service - Principal	0	0	0
Debt Service - Interest	0	0	0
Capital Expenditures	63,600	61,976	1,624
Total Expenditures	<u>176,600</u>	<u>74,712</u>	<u>101,888</u>
Excess (Deficiency) of Revenues Over Expenditures	(100,100)	(31,249)	68,851
Other Financing Sources (Uses)			
Operating Transfers In (Out)	<u>0</u>	<u>47,139</u>	<u>47,139</u>
Net Change in Fund Balances	(100,100)	15,890	115,990
Fund Balances			
Beginning of Year	<u>192,565</u>	<u>180,540</u>	<u>(12,025)</u>
End of Year	<u>\$ 92,465</u>	<u>\$ 196,430</u>	<u>\$ 103,965</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
Pool Fund
Year Ended December 31, 2011

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenues			
Charges for Services	\$ 596,960	\$ 576,900	\$ (20,060)
Rental Fees	9,000	9,197	197
Miscellaneous	1,260	1,000	(260)
Total Operating Revenues	<u>607,220</u>	<u>587,097</u>	<u>(20,123)</u>
Operating Expenses			
Salaries and Benefits	376,110	353,117	22,993
Depreciation	0	170,975	(170,975)
Pool Supplies	41,640	62,167	(20,527)
Repairs and Maintenance	20,700	45,726	(25,026)
Utilities	52,800	43,825	8,975
Office Supplies and Expenses	14,460	10,183	4,277
Other Expenses	9,600	14,388	(4,788)
Uniforms	7,200	4,457	2,743
Total Operating Expenses	<u>522,510</u>	<u>704,838</u>	<u>(182,328)</u>
Operating Income (Loss) Before Nonoperating Revenues	<u>84,710</u>	<u>(117,741)</u>	<u>(202,451)</u>
Nonoperating Revenues (Expenses)			
Interest Income	504	283	(221)
Interest Expense	(108,000)	(112,218)	(4,218)
Transfers from Other Funds	124,000	223,492	99,492
Total Nonoperating Revenue (Expenses)	<u>16,504</u>	<u>111,557</u>	<u>95,053</u>
Other Uses			
Decrease in Fair Value of Derivative Instruments	<u>0</u>	<u>(62,019)</u>	<u>(62,019)</u>
Change in Net Assets	101,214	(68,203)	(169,417)
Fund Balances			
Beginning of Year	<u>34,908</u>	<u>2,894,327</u>	<u>2,859,419</u>
End of Year	<u>\$ 136,122</u>	<u>\$ 2,826,124</u>	<u>\$ 2,690,002</u>

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2011**

	<u>Fire Fund</u>	<u>Park and Recreation Fund</u>	<u>State Highway Aid Fund</u>
Assets			
Cash and Cash Equivalents	\$ 17,155	\$ 73,394	\$ 500,799
Taxes Receivable	8,604	5,506	0
Due from (to) Other Funds	<u>(6,657)</u>	<u>599</u>	<u>0</u>
Total Assets	<u><u>\$ 19,102</u></u>	<u><u>\$ 79,499</u></u>	<u><u>\$ 500,799</u></u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable and Accrued Expenses	\$ 0	\$ 0	\$ 41,906
Accrued Wages and Payroll Taxes	0	4,885	0
Deferred Revenue	8,604	6,106	0
Total Liabilities	<u><u>8,604</u></u>	<u><u>10,991</u></u>	<u><u>41,906</u></u>
Fund Balances			
Restricted	0	6,200	458,893
Assigned	10,498	62,308	0
Total Fund Balances	<u><u>10,498</u></u>	<u><u>68,508</u></u>	<u><u>458,893</u></u>
Total Liabilities and Fund Balances	<u><u>\$ 19,102</u></u>	<u><u>\$ 79,499</u></u>	<u><u>\$ 500,799</u></u>

Contribution Fund	Pool and Open Space Fund	Equipment Reserve Fund	Debt Service Fund	Total Nonmajor Governmental Funds
\$ 148,885	\$ 159,919	\$ 0	\$ 26,172	\$ 926,324
0	0	0	15,403	29,513
0	0	15,000	0	8,942
<u>\$ 148,885</u>	<u>\$ 159,919</u>	<u>\$ 15,000</u>	<u>\$ 41,575</u>	<u>\$ 964,779</u>
\$ 2,650	\$ 0	\$ 0	\$ 1,842	\$ 46,398
0	0	0	0	4,885
0	0	0	15,403	30,113
<u>2,650</u>	<u>0</u>	<u>0</u>	<u>17,245</u>	<u>81,396</u>
0	0	0	23,900	488,993
146,235	159,919	15,000	430	394,390
<u>146,235</u>	<u>159,919</u>	<u>15,000</u>	<u>24,330</u>	<u>883,383</u>
<u>\$ 148,885</u>	<u>\$ 159,919</u>	<u>\$ 15,000</u>	<u>\$ 41,575</u>	<u>\$ 964,779</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended December 31, 2011

	<u>Fire Fund</u>	<u>Park and Recreation Fund</u>	<u>State Highway Aid Fund</u>
Revenues			
Taxes	\$ 257,728	\$ 183,517	\$ 0
Intergovernmental	0	0	584,019
Charges for Services	0	72,326	0
Interest Income and Rents	371	22,269	912
Miscellaneous Revenues	0	35,546	0
Total Revenues	<u>258,099</u>	<u>313,658</u>	<u>584,931</u>
Expenditures			
Public Safety	244,559	0	0
Public Works	0	0	138,771
Parks and Recreation	0	285,174	0
Debt Service - Principal	0	0	42,586
Debt Service - Interest	0	0	5,950
Capital Expenditures	0	9,026	60,119
Total Expenditures	<u>244,559</u>	<u>294,200</u>	<u>247,426</u>
Excess (Deficiency) of Revenues Over Expenditures	13,540	19,458	337,505
Other Financing Sources (Uses)			
Operating Transfers In (Out)	<u>(15,000)</u>	<u>(119,000)</u>	<u>0</u>
Net Change in Fund Balances	(1,460)	(99,542)	337,505
Fund Balances			
Beginning of Year	<u>11,958</u>	<u>168,050</u>	<u>121,388</u>
End of Year	<u>\$ 10,498</u>	<u>\$ 68,508</u>	<u>\$ 458,893</u>

Contribution Fund	Pool and Open Space Fund	Equipment Reserve Fund	Debt Service Fund	Total Nonmajor Governmental Funds
\$ 0	\$ 0	\$ 0	\$ 457,615	\$ 898,860
66,623	0	0	0	650,642
0	0	0	0	72,326
491	610	0	430	25,083
4,125	424	0	30,000	70,095
<u>71,239</u>	<u>1,034</u>	<u>0</u>	<u>488,045</u>	<u>1,717,006</u>
0	0	0	0	244,559
0	0	0	0	138,771
28,018	29,416	0	0	342,608
0	0	0	135,000	177,586
0	0	0	111,969	117,919
0	0	0	0	69,145
<u>28,018</u>	<u>29,416</u>	<u>0</u>	<u>246,969</u>	<u>1,090,588</u>
43,221	(28,382)	0	241,076	626,418
<u>(45,000)</u>	<u>6,615</u>	<u>15,000</u>	<u>(216,746)</u>	<u>(374,131)</u>
(1,779)	(21,767)	15,000	24,330	252,287
<u>148,014</u>	<u>181,686</u>	<u>0</u>	<u>0</u>	<u>631,096</u>
<u>\$ 146,235</u>	<u>\$ 159,919</u>	<u>\$ 15,000</u>	<u>\$ 24,330</u>	<u>\$ 883,383</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, 2011

	Fire Fund		Variance
	Original Budget	Actual	Favorable (Unfavorable)
Revenues			
Taxes	\$ 264,072	\$ 257,728	\$ (6,344)
Intergovernmental	0	0	0
Charges for Services	0	0	0
Interest Income and Rents	500	371	(129)
Miscellaneous Revenues	0	0	0
Total Revenues	<u>264,572</u>	<u>258,099</u>	<u>(6,473)</u>
Expenditures			
Public Safety	245,000	244,559	441
Public Works	0	0	0
Parks and Recreation	0	0	0
Debt Service - Principal	0	0	0
Debt Service - Interest	0	0	0
Capital Expenditures	0	0	0
Total Expenditures	<u>245,000</u>	<u>244,559</u>	<u>441</u>
Excess (Deficiency) of Revenues Over Expenditures	19,572	13,540	(6,032)
Other Financing Sources (Uses)			
Operating Transfers In (Out)	<u>(15,000)</u>	<u>(15,000)</u>	<u>0</u>
Net Change in Fund Balances	4,572	(1,460)	(6,032)
Fund Balances			
Beginning of Year	<u>3,394</u>	<u>11,958</u>	<u>8,564</u>
End of Year	<u>\$ 7,966</u>	<u>\$ 10,498</u>	<u>\$ 2,532</u>

Park and Recreation Fund			State Highway Aid Fund		
Original Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Actual	Variance Favorable (Unfavorable)
\$ 187,040	\$ 183,517	\$ (3,523)	\$ 0	\$ 0	\$ 0
600	0	(600)	330,105	584,019	253,914
51,300	72,326	21,026	0	0	0
20,040	22,269	2,229	1,000	912	(88)
26,830	35,546	8,716	0	0	0
<u>285,810</u>	<u>313,658</u>	<u>27,848</u>	<u>331,105</u>	<u>584,931</u>	<u>253,826</u>
0	0	0	0	0	0
0	0	0	277,500	138,771	138,729
299,004	285,174	13,830	0	0	0
0	0	0	0	42,586	(42,586)
0	0	0	0	5,950	(5,950)
0	9,026	(9,026)	75,000	60,119	14,881
<u>299,004</u>	<u>294,200</u>	<u>4,804</u>	<u>352,500</u>	<u>247,426</u>	<u>105,074</u>
(13,194)	19,458	32,652	(21,395)	337,505	358,900
<u>(119,000)</u>	<u>(119,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(132,194)	(99,542)	32,652	(21,395)	337,505	358,900
<u>172,385</u>	<u>168,050</u>	<u>(4,335)</u>	<u>121,388</u>	<u>121,388</u>	<u>0</u>
<u>\$ 40,191</u>	<u>\$ 68,508</u>	<u>\$ 28,317</u>	<u>\$ 99,993</u>	<u>\$ 458,893</u>	<u>\$ 358,900</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, 2011

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenues			
Taxes	\$ 465,992	\$ 457,615	\$ (8,377)
Interest Income and Rents	600	430	(170)
Miscellaneous Revenues	30,000	30,000	0
Total Revenues	<u>496,592</u>	<u>488,045</u>	<u>(8,547)</u>
Expenditures			
Debt Service - Principal	237,000	135,000	102,000
Debt Service - Interest	225,000	111,969	113,031
Total Expenditures	<u>462,000</u>	<u>246,969</u>	<u>215,031</u>
Excess of Revenues Over Expenditures	34,592	241,076	206,484
Other Financing Sources (Uses)			
Operating Transfers In (Out)	<u>0</u>	<u>(216,746)</u>	<u>(216,746)</u>
Net Change in Fund Balances	34,592	24,330	(10,262)
Fund Balances			
Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
End of Year	<u>\$ 34,592</u>	<u>\$ 24,330</u>	<u>\$ (10,262)</u>