

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PENNSYLVANIA**

Financial Report

December 31, 2012

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PENNSYLVANIA**

Contents

	Page
Independent Auditor's Report	1-3
Management's Discussion and Analysis (Unaudited)	4-14
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	15
Statement of Activities	16-17
Fund Financial Statements	
Balance Sheet - Governmental Funds	18-19
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	20
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	21-22
Reconciliation of the Net Changes in Fund Balances of Governmental Funds to the Statement of Activities	23
Statement of Net Position - Proprietary Funds	24
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	25
Statement of Cash Flows - Proprietary Funds	26
Statement of Fiduciary Net Position	27
Statement of Changes in Fiduciary Net Position - Pension Trust Funds	28
Notes to Financial Statements	29-67

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PENNSYLVANIA**

Contents

	Page
Required Supplementary Information (Unaudited)	
Pension Plan Funding Progress	68
Contributions from Employers and Other Contributing Entities	69
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund and State Highway Aid Fund	70-71
Notes to Schedules of Budget to Actual Comparisons	72
Other Supplementary Information	
Schedule of Revenues, Expenses, and Changes in Fund Balances - Budget and Actual - Proprietary Fund - Pool Fund	73
Combining Balance Sheet - Nonmajor Governmental Funds	74-75
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	76-77
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Nonmajor Special Revenue and Nonmajor Capital Project Funds	78-79
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Nonmajor Capital Project Fund	80
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Debt Service Fund	81



CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

1300 Horizon Drive, Suite 106
Chalfont, PA 18914-3970
www.dunlap-associates.com

Tel 215.997.5600
Fax 215.997.7218

Independent Auditor's Report

To the Board of Commissioners
Hatfield Township
Hatfield, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hatfield Township, Montgomery County, Pennsylvania, as of December 31, 2012, and for the year then ended, and the related notes to the financial statements, which collectively comprise the basic financial statements of Hatfield Township's primary government as listed in the table of contents.

Management's Responsibilities for the Financial Statements

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

Auditor's Responsibility

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

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

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



Member of Private Companies Practice Section, the AICPA Alliance for CPA Firms
Member of JHI with Affiliated Offices Worldwide

Basis for Adverse Opinion on the Reporting Entity

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

Adverse Opinion on the Reporting Entity

In our opinion, because of the significance of the matter described in the Basis for Adverse Opinion on the Reporting Entity paragraph, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Hatfield Township, Montgomery County, Pennsylvania, as of December 31, 2012, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. The Township's component units issue their own financial statements which are audited by other accounting firms. At this time, the component units' audit reports for the year ended December 31, 2012 are not complete.

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

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the government activities, the business-type activities, each major fund, and the aggregate remaining fund information for the primary government of Hatfield Township, Montgomery County, Pennsylvania as of December 31, 2012, and the respective changes in financial position, and where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required information on pages 4 through 14 and 68 through 72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The additional budget schedules on pages 73 and 78 through 81 and the combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The budget schedules and combining and individual nonmajor 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 7, 2013

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2012**

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, 2012. Please read it in conjunction with the Township's financial statement, which begins after the Management Discussion and Analysis.

FINANCIAL HIGHLIGHTS

- The taxes levied on Real Estate and Earned Income were each over 7% higher than 2012.
- The Township's General Fund cash reserve decreased below the 5% reserve limit and is still underfunded compared to best practices recommendation of 15%.
- A portion of the Townships outstanding debt service reset to a lower interest rate resulting in a \$35,000 savings.

USING THIS REPORT

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

Reporting on the Township as a Whole

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

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2012**

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 Position and the Statement of Activities) and governmental funds are reconciled at the end of the fund financial statements.

The Township as a Trustee

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

THE TOWNSHIP AS A WHOLE

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

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2012

THE TOWNSHIP AS A WHOLE (Continued)

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

Account	2012	2011	\$ Change	% Change
Capital Assets	\$ 33,386,805	\$ 32,846,645	\$ 540,160	1.64
Current and Other Assets	4,034,130	3,738,487	295,643	7.91
Total Assets	<u>37,420,935</u>	<u>36,585,132</u>	<u>835,803</u>	2.28
Long-Term Liabilities	6,479,912	6,097,459	382,453	6.27
Other Liabilities	1,001,967	619,812	382,155	61.66
Total Liabilities	<u>7,481,879</u>	<u>6,717,271</u>	<u>764,608</u>	11.38
Net Position				
Invested in Capital Assets, Net of Related Debt	27,015,613	26,586,342	429,271	1.61
Restricted	1,728,813	1,787,442	(58,629)	(3.28)
Unrestricted	<u>1,194,630</u>	<u>1,494,077</u>	<u>(299,447)</u>	(20.04)
Total Net Position	<u>\$ 29,939,056</u>	<u>\$ 29,867,861</u>	<u>\$ 71,195</u>	0.24

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2012

THE TOWNSHIP AS A WHOLE (Continued)

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

Account	2012	2011	\$ Change	% Change
Program Revenues				
General Government	\$ 472,338	\$ 386,050	\$ 86,288	22.35
Police	956,087	1,171,084	(214,997)	(18.36)
Fire	208,242	297,294	(89,052)	(29.95)
Code Enforcement	387,224	395,310	(8,086)	(2.05)
Highway Maintenance	986,764	1,334,019	(347,255)	(26.03)
Snow Removal	842	787	55	6.99
Parks and Recreation	237,979	87,444	150,535	172.15
Pool	687,809	662,585	25,224	3.81
General Revenues				
Real Estate Taxes	3,708,212	3,446,028	262,184	7.61
Transfer Taxes	222,351	339,679	(117,328)	(34.54)
Earned Income Taxes	2,430,075	2,267,184	162,891	7.18
Other Taxes	588,466	657,493	(69,027)	(10.50)
Grants and Contributions	25,143	512,014	(486,871)	(95.09)
Interest and Rents	23,348	23,816	(468)	(1.97)
Loss on Disposal of Equipment	(65,722)	(201)	(65,521)	32,597.51
Miscellaneous	195,387	175,873	19,514	11.10
Total Revenues (Forwarded)	<u>\$ 11,064,545</u>	<u>\$ 11,756,459</u>	<u>\$ (691,914)</u>	(5.89)

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2012

THE TOWNSHIP AS A WHOLE (Continued)

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

Account	2011	2010	\$ Change	% Change
Total Revenues (Forwarded)	<u>\$ 11,064,545</u>	<u>\$ 11,756,459</u>	<u>\$ (691,914)</u>	(5.89)
Program Expenses				
Finance and Tax Collection	89,418	99,048	(9,630)	(9.72)
Professional Services	259,848	140,702	119,146	84.68
General Government	1,349,322	1,267,166	82,156	6.48
Police	4,893,392	4,485,739	407,653	9.09
Fire	604,044	623,264	(19,220)	(3.08)
Code Enforcement	298,928	308,967	(10,039)	(3.25)
Highway Maintenance	2,469,407	2,144,818	324,589	15.13
Snow and Ice Removal	16,331	90,922	(74,591)	(82.04)
Street Lighting	64,264	72,246	(7,982)	(11.05)
Parks and Recreation	413,122	463,019	(49,897)	(10.78)
Pool	<u>984,939</u>	<u>879,075</u>	<u>105,864</u>	12.04
Total Expenses	<u>11,443,015</u>	<u>10,574,966</u>	<u>868,049</u>	8.21
Changes in Net Position	<u>\$ (378,470)</u>	<u>\$ 1,181,493</u>	<u>\$(1,559,963)</u>	(132.03)

Revenue Overview

Revenues decreased by \$691,941 compared to 2011:

- In the Township's General Fund, a deficit budget was passed which lowered the Township cash reserves at year end.
- The Township received less State Aid for Pension Aid and Fire Relief in 2012.
- The Township received less grant funding due to the State trimming its grant programs in 2012.

The 7% increase in earned income tax and real estate taxes is a positive sign that the economy for the Township is slowly improving.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2012**

THE TOWNSHIP AS A WHOLE (Continued)

Figure 1

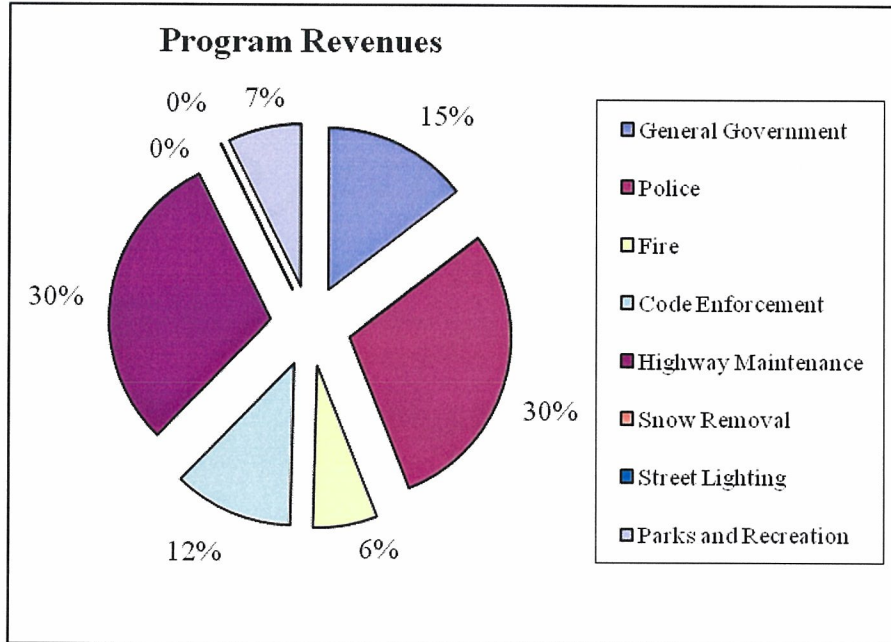
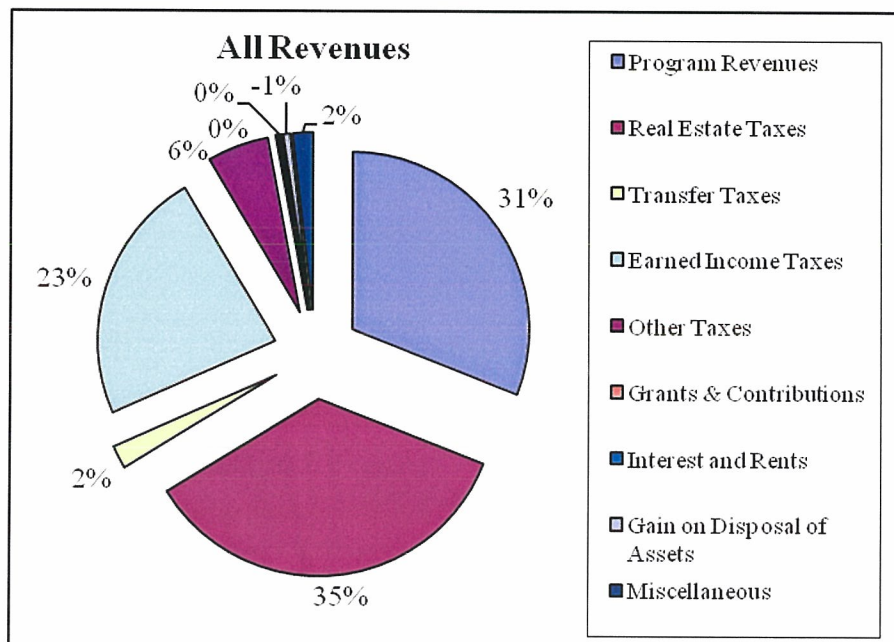


Figure 2

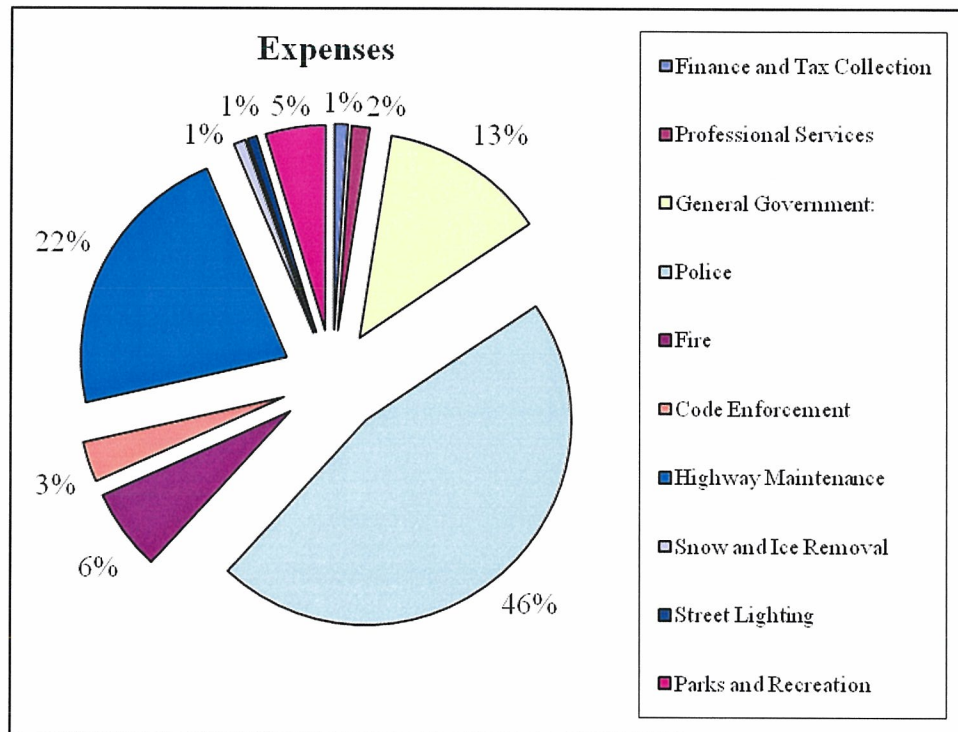


**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2012**

THE TOWNSHIP AS A WHOLE (Continued)

Expense Overview

Total expenses increased 8.21% or \$868,049 in 2012. The biggest increase was in Police services by \$407,653 which was mostly due to contractual increases. The Highway Department had an increase of \$324,589 which was due to the rebuilding of the Maple Avenue Bridge.



**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2012**

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 .62 mill fire tax, and aside from providing worker's compensation insurance for both the fire companies and the ambulance service, it has no other financial or management control of the fire companies or ambulance services.

Public Facilities

The Township owns and operates a number of parks and scattered open space parcels. Chief among the parks are Hatfield Community Park, School Road Park, Clemens Park, and Schweiker Park, along with an Arboretum and a Nature Area. In 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.

ANALYSIS OF INDIVIDUAL FUNDS

General Fund

The General Fund had a deficit budget passed for 2012 which resulted in cash reserves decreasing below 5% of operational expenses. The General Fund did receive an extra \$253,186 in revenue in 2012, but it wasn't enough to overcome the higher budgeted expenses. The General Fund spent \$135,958 more than anticipated in 2012 out of the \$7,945,986 that was budgeted, or 1.7% over budget.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2012**

ANALYSIS OF INDIVIDUAL FUNDS (Continued)

Other Funds

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

Capital Reserve Fund

Two Police vehicles were purchased in 2012. and a sidewalk project on School Road was completed using these funds. The Township experienced an unexpected maintenance bill for \$15,000 over an improper sewer hookup at the Township building.

Parks and Recreation Fund

This fund receives revenue from a .22 mill real estate tax. In 2012, construction of a bathroom in School Road Park was started.

State Aid Fund

The Township borrowed \$850,000 from the Pennsylvania Infrastructure Bank to replace the Walnut Street Bridge and pave Township roads.

Fire Fund

Aside from a small amount of interest income, this fund relies on a .62 mill real estate tax for its revenue, which is a 100% 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. The funds are distributed to the companies semi-annually.

Pool Fund

The Township Pool Fund's gate receipts were able to cover its overall operational cost, so no expense was paid by the taxpayers to cover daily operations.

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.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2012**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Planning

The Township's only major capital plan is the building of a bathroom facility in the School Road Park that should be completed by the summer of 2013.

Debt

The Township's general long-term debt increased from \$5,693,000 to \$6,296,000 in 2012. This increase was due to the Pennsylvania Infrastructure Bank loan the Township took out for road improvements in 2012. 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 2012.

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 2012. 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 2012, Hatfield Township was left with a General Fund cash reserves below 5% of expenses. 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 triple the current cash reserves to approximately \$1.4 million. The one option to reach this mark is to dramatically eliminate 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. 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 markets gains of 2012 will have minimum impact on the pension funds due to the pension smoothing that was adopted in 2009 budget to help lessen the economic impact of the 2008 recession. In 2013, the Township's Police Pension increased 68% to \$750,000. The MMO for 2014 is projected to be even higher for the police pension.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2012**

ECONOMIC FORECAST (Continued)

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. In 2013, Governor Corbett has brought up the challenge of pension reform within the state, but has neglected to address Act 600.

The Township has addressed the challenges of funding the non-uniform pension by creating a Defined Contribution Pension for all new hires under agreement as of 1/1/2013. The savings of this plan will not be immediate, but will decrease future MMO as more employees are placed under the new plan. The township has required existing Defined Benefit plan members to pay a ½% pension contribution starting 1/1/2013.

There is potential that in 2015, Hatfield Township will begin to regain some of its revenue that it saw in the early 2000's, that will help pull the Township's reserves to above 10%. In the first couple of months of 2013, a number of developers have come back to the Township looking for approval for projects that won't start until late 2014 or early 2015. With this development comes increased developers fees, increased Township assessments, increases in earned income tax, and real estate transfer taxes. Another trend the Township will start to see is an increase in real estate transfer tax as the baby boomers generation, which helped populate our Township in the late 70's and early 80's, begins to retire and sell their homes to younger families.

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, Aaron Bibro. 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 Position
December 31, 2012

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 2,321,387	\$ 2,995	\$ 2,324,382
Taxes and Other Receivables	1,268,504	0	1,268,504
Total Current Assets	<u>3,589,891</u>	<u>2,995</u>	<u>3,592,886</u>
Noncurrent Assets			
Net Capital Assets	<u>27,496,439</u>	<u>5,890,366</u>	<u>33,386,805</u>
Total Assets	<u>31,086,330</u>	<u>5,893,361</u>	<u>36,979,691</u>
Deferred Outflows of Resources			
Deferred Accumulated Decrease in Fair Value of Derivative Instrument	<u>228,708</u>	<u>212,536</u>	<u>441,244</u>
Liabilities			
Current Liabilities			
Current Portion of General Obligation Notes	314,542	118,000	432,542
Current Portion of Capital Lease Payable	44,765	0	44,765
Accounts Payable and Accrued Expenses	276,612	1,476	278,088
Accrued Wages and Payroll Taxes	242,373	4,199	246,572
Internal Balances	(18,065)	18,065	0
Total Current Liabilities	<u>860,227</u>	<u>141,740</u>	<u>1,001,967</u>
Noncurrent Liabilities			
General Obligation Note Payable	3,182,458	2,681,000	5,863,458
Capital Lease Payable	30,427	0	30,427
Compensated Absences	144,783	0	144,783
Fair Value of Derivative Instrument	228,708	212,536	441,244
Total Noncurrent Liabilities	<u>3,586,376</u>	<u>2,893,536</u>	<u>6,479,912</u>
Total Liabilities	<u>4,446,603</u>	<u>3,035,276</u>	<u>7,481,879</u>
Net Position			
Invested in Capital Assets, Net of Related Debt	23,924,247	3,091,366	27,015,613
Restricted for			
Capital Projects	1,236,069	0	1,236,069
Other	492,744	0	492,744
Unrestricted	<u>1,215,375</u>	<u>(20,745)</u>	<u>1,194,630</u>
Total Net Position	<u>\$ 26,868,435</u>	<u>\$ 3,070,621</u>	<u>\$ 29,939,056</u>

See Notes to Financial Statements.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Statement of Activities
Year Ended December 31, 2012

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government				
Finance and Tax Collection	\$ 89,418	\$ 0	\$ 0	\$ 0
Professional Fees	259,848	0	0	0
General Government	1,349,322	329,065	143,273	0
Public Safety				
Police	4,893,392	736,675	219,412	0
Fire	604,044	69,702	138,540	0
Code Enforcement and Zoning	298,928	378,791	8,433	0
Highways				
Highway Maintenance	2,469,407	0	388,537	598,227
Snow and Ice Removal	16,331	842	0	0
Street Lighting	64,264	0	0	0
Parks and Recreation	413,122	76,960	92,019	69,000
Total Governmental Activities	<u>10,458,076</u>	<u>1,592,035</u>	<u>990,214</u>	<u>667,227</u>
Business-Type Activities				
Pool	984,939	687,809	0	0
Total	<u>\$ 11,443,015</u>	<u>\$ 2,279,844</u>	<u>\$ 990,214</u>	<u>\$ 667,227</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 Position

Net Position
Beginning of Year, Restated
End of Year

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (89,418)	\$ 0	\$ (89,418)
(259,848)	0	(259,848)
(876,984)	0	(876,984)
(3,937,305)	0	(3,937,305)
(395,802)	0	(395,802)
88,296	0	88,296
(1,482,643)	0	(1,482,643)
(15,489)	0	(15,489)
(64,264)	0	(64,264)
(175,143)	0	(175,143)
(7,208,600)	0	(7,208,600)
0	(297,130)	(297,130)
(7,208,600)	(297,130)	(7,505,730)
3,708,212	0	3,708,212
3,240,892	0	3,240,892
25,143	0	25,143
23,130	218	23,348
195,387	0	195,387
(65,722)	0	(65,722)
(317,225)	317,225	0
6,809,817	317,443	7,127,260
(398,783)	20,313	(378,470)
27,267,218	3,050,308	30,317,526
\$ 26,868,435	\$ 3,070,621	\$ 29,939,056

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Balance Sheet
Governmental Funds
December 31, 2012

	<u>General Fund</u>	<u>State Highway Aid Fund</u>	<u>Impact Fees Fund</u>
Assets			
Cash and Cash Equivalents	\$ 461,466	\$ 519,081	\$ 705,724
Taxes Receivable	1,170,874	0	0
Other Receivables	35,776	0	0
Due from (to) Other Funds	8,621	0	0
Total Assets	<u><u>\$ 1,676,737</u></u>	<u><u>\$ 519,081</u></u>	<u><u>\$ 705,724</u></u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable and Accrued Expenses	\$ 83,545	\$ 191,624	\$ 0
Accrued Wages and Payroll Taxes	233,034	0	0
Total Liabilities	<u>316,579</u>	<u>191,624</u>	<u>0</u>
Deferred Inflows of Resources			
Deferred Tax Receipts	<u>616,269</u>	<u>0</u>	<u>0</u>
Fund Balances			
Restricted	0	327,457	640,874
Assigned	0	0	64,850
Unassigned	743,889	0	0
Total Fund Balances	<u>743,889</u>	<u>327,457</u>	<u>705,724</u>
Total Liabilities and Fund Balances	<u><u>\$ 1,676,737</u></u>	<u><u>\$ 519,081</u></u>	<u><u>\$ 705,724</u></u>

See Notes to Financial Statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 635,116	\$ 2,321,387
61,854	1,232,728
0	35,776
9,444	18,065
<u>\$ 706,414</u>	<u>\$ 3,607,956</u>

\$ 1,443	\$ 276,612
9,339	242,373
<u>10,782</u>	<u>518,985</u>

<u>60,980</u>	<u>677,249</u>
---------------	----------------

81,026	1,049,357
553,626	618,476
0	743,889
<u>634,652</u>	<u>2,411,722</u>
<u>\$ 706,414</u>	<u>\$ 3,607,956</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2012

Total Governmental Fund Balances	\$ 2,411,722
Amounts Reported for Governmental Activities in the Statement of Net Position Are Different Because	
Capital Assets Used in Governmental Activities Are Not Financial Resources and, Therefore, Not Reported in Funds, Net of Accumulated Depreciation of \$14,537,885.	27,496,439
Other Long-Term Assets Are Not Available to Pay Current Period Expenditures, and Therefore Are Deferred in the Funds.	
Taxes Receivable	677,249
Deferred Accumulated Decrease in Fair Value of Derivative Instrument	228,708
Long-Term Liabilities Are Not Due and Payable in the Current Period, and, Therefore, Are Not Reported in the Funds.	
General Obligation Note Payable	(3,497,000)
Capital Lease Payable	(75,192)
Compensated Absences	(144,783)
Fair Value of Derivative Instruments	(228,708)
	<hr/>
Net Position of Governmental Activities	<u><u>\$ 26,868,435</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, 2012

	General Fund	State Highway Aid Fund	Impact Fees Fund
Revenues			
Taxes	\$ 5,761,196	\$ 0	\$ 0
Intergovernmental	427,129	355,870	0
Charges for Services	1,049,268	0	0
Fines, Licenses and Permits	424,777	0	0
Interest Income and Rents	16,363	1,121	3,029
Miscellaneous Revenues	197,813	0	60,075
Total Revenues	<u>7,876,546</u>	<u>356,991</u>	<u>63,104</u>
Expenditures			
General Government	1,077,122	0	0
Public Safety	3,833,830	0	0
Public Works	884,598	600,604	92,409
Parks and Recreation	0	0	2,967
Debt Service - Principal	0	42,446	0
Debt Service - Interest	0	6,090	0
Capital Expenditures	62,261	689,287	0
Insurance and Employee Benefits	2,214,698	0	0
Miscellaneous Governmental	9,435	0	0
Total Expenditures	<u>8,081,944</u>	<u>1,338,427</u>	<u>95,376</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(205,398)</u>	<u>(981,436)</u>	<u>(32,272)</u>
Other Financing Sources (Uses)			
Proceeds from Issuance of Long-Term Note	0	850,000	0
Operating Transfers In (Out)	(22,747)	0	5,747
Total Other Financing Sources (Uses)	<u>(22,747)</u>	<u>850,000</u>	<u>5,747</u>
Net Change in Fund Balances	(228,145)	(131,436)	(26,525)
Fund Balances			
Beginning of Year	<u>972,034</u>	<u>458,893</u>	<u>732,249</u>
End of Year	<u>\$ 743,889</u>	<u>\$ 327,457</u>	<u>\$ 705,724</u>

See Notes to Financial Statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,164,243	\$ 6,925,439
167,363	950,362
63,796	1,113,064
0	424,777
23,338	43,851
106,402	364,290
<u>1,525,142</u>	<u>9,821,783</u>
8,056	1,085,178
335,167	4,168,997
35,097	1,612,708
326,211	329,178
141,000	183,446
97,973	104,063
267,681	1,019,229
0	2,214,698
0	9,435
<u>1,211,185</u>	<u>10,726,932</u>
<u>313,957</u>	<u>(905,149)</u>
0	850,000
<u>(300,225)</u>	<u>(317,225)</u>
<u>(300,225)</u>	<u>532,775</u>
13,732	(372,374)
<u>620,920</u>	<u>2,784,096</u>
<u>\$ 634,652</u>	<u>\$ 2,411,722</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, 2012**

Net Change in Fund Balances - Total Governmental Funds \$ (372,374)

Amounts Reported for Governmental Activities in the Statement of Activities
Are Different Because

Governmental Funds Report Capital Outlays As Expenditures. However, in the Statement of Activities, the Cost of Those Assets is Allocated Over Their Estimated Useful Lives as Depreciation Expense. This is the Amount By Which Capital Outlays of \$1,019,229 and Road Dedications of \$589,974 Exceeded Depreciation Expense of \$947,209 and the Net Book Value of Assets Disposed of \$68,363 in the Current Year. 593,631

Revenues in the Statement of Activities That Do Not Provide Current Financial Resources Are Not Reported As Revenues in the Funds. 64,695

Repayment of Notes Payable and Capital Lease Principal Is An Expenditure in the Governmental Funds, but the Repayment Reduces Liabilities in the Statement of Net Position. 183,446

Proceeds from Issuance of Long-Term Notes Are Other Financing Sources in the Governmental Funds but the Proceeds Increase Long-Term Liabilities of the Statement of Net Position. (850,000)

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 (18,181)

Change in Net Position of Governmental Activities \$ (398,783)

See Notes to Financial Statements.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Statement of Net Position
Proprietary Funds - Pool Fund
December 31, 2012

Assets

Current Assets	
Cash	\$ 2,995
Noncurrent Assets	
Capital Assets	<u>5,890,366</u>
Total Assets	<u><u>5,893,361</u></u>

Deferred Outflows of Resources

Accumulated Decrease in Fair Value of Derivative Instrument	<u>212,536</u>
---	----------------

Liabilities

Current Liabilities	
Current Portion of General Obligation Note	118,000
Accounts Payable and Accrued Expenses	1,476
Accrued Wages and Payroll Taxes	4,199
Due to Other Funds	18,065
Total Current Liabilities	<u>141,740</u>
Noncurrent Liabilities	
General Obligation Note Payable	2,681,000
Fair Value of Derivative Instrument	212,536
Total Noncurrent Liabilities	<u>2,893,536</u>
Total Liabilities	<u><u>3,035,276</u></u>

Net Position

Invested in Capital Assets, Net of Related Debt	3,091,366
Unrestricted	<u>(20,745)</u>
Total Net Position	<u><u>\$ 3,070,621</u></u>

See Notes to Financial Statements.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds - Pool Fund
Year Ended December 31, 2012

Operating Revenues	
Charges and Fees	\$ 684,484
Rental Fees	200
Miscellaneous	3,125
Total Operating Revenues	<u>687,809</u>
Operating Expenses	
Salaries and Benefits	456,938
Depreciation	176,560
Snack Bar	75,517
Utilities	50,169
Repairs and Maintenance	47,882
Pool Supplies	40,328
Office Supplies and Expenses	13,166
Other Expenses	12,464
Uniforms	9,347
Total Operating Expenses	<u>882,371</u>
Operating Loss Before Nonoperating Revenues	<u>(194,562)</u>
Nonoperating Revenues (Expenses)	
Interest Income	218
Interest Expense	(102,568)
Transfers from Other Funds	317,225
Total Nonoperating Revenue (Expenses)	<u>214,875</u>
Change in Net Position	20,313
Net Position	
Beginning of Year, Restated	<u>3,050,308</u>
End of Year	<u><u>\$ 3,070,621</u></u>

See Notes to Financial Statements.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2012

Cash Flows from Operating Activities	
Receipts from Customers	\$ 687,809
Payments to Suppliers	(250,911)
Payments to Employees	(437,275)
Net Cash Used in Operating Activities	<u>(377)</u>
Cash Flows from Noncapital Financing Activities	
Transfers from Other Funds	<u>317,225</u>
Cash Flows from Capital and Related Financing Activities	
Purchase of Capital Assets	(123,089)
Principal Paid on Capital Debt	(106,000)
Interest Paid on Capital Debt	(102,568)
Net Cash Used in Capital and Related Financing Activities	<u>(331,657)</u>
Cash Flows from Investing Activities	
Interest Income	<u>218</u>
Net Decrease in Cash	(14,591)
Cash	
Beginning of Year	<u>17,586</u>
End of Year	<u><u>\$ 2,995</u></u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating Loss	\$ (194,562)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities	
Depreciation Expense	176,560
Change in Net Assets and Liabilities	
Accounts Payable and Accrued Expenses	(2,038)
Accrued Wages and Payroll Taxes	1,598
Due to Other Funds	18,065
Net Cash Used in Operating Activities	<u><u>\$ (377)</u></u>

See Notes to Financial Statements.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2012

	<u>Pension Trust Funds</u>	<u>Agency Fund</u>
Assets		
Cash and Cash Equivalents	\$ 435,415	\$ 1,722,302
Investments	12,453,782	0
Accrued Interest Receivable	33,970	0
	<u>12,923,167</u>	<u>1,722,302</u>
Total Assets		
	<u>12,923,167</u>	<u>1,722,302</u>
Liabilities		
Escrow Deposits	<u>0</u>	<u>\$ 1,722,302</u>
Net Position		
Held in Trust for Pension Benefits	<u>\$ 12,923,167</u>	

See Notes to Financial Statements.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended December 31, 2012

Additions	
Contributions	
Plan Members	\$ 108,121
State	275,360
Employer	338,654
Total Contributions	<u>722,135</u>
Investment Earnings	
Net Increase in Fair Value of Investments	1,027,044
Dividends	316,766
	<u>1,343,810</u>
Less Investment Expense	(54,486)
Total Net Investment Earnings	<u>1,289,324</u>
Miscellaneous Revenue	<u>1,274</u>
Total Additions	<u>2,012,733</u>
Deductions	
Benefits	499,874
Administrative Expense	16,770
Total Deductions	<u>516,644</u>
Change in Net Position	1,496,089
Net Position, Held in Trust	
Beginning of Year	<u>11,427,078</u>
End of Year	<u><u>\$ 12,923,167</u></u>

See Notes to Financial Statements.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2012

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, 2012**

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

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2012**

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

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

FUND FINANCIAL STATEMENTS

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

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2012**

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, 2012**

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	Yes
Park and Recreation Fund	Accounts for revenues and expenditures of park and recreation funds	No
Fire Fund	Accounts for revenues and expenditures of fire protection tax funds	No

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

<u>Fund</u>	<u>Description</u>	<u>Major Fund?</u>
Capital Reserve Fund	Accounts for revenues assigned for capital acquisition/improvements	No
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 contributions collected for capital purchase and construction	No
Park and Recreation Reserve Fund	Accounts for contributions collected for capital purchase and construction	No
Equipment Reserve Fund	Accounts for contributions for the purchase of equipment	No

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2012**

1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

FUND FINANCIAL STATEMENTS (Continued)

Governmental Funds (Continued)

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

Proprietary Funds

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

Fiduciary Funds

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

C. Measurement Focus and Basis of Accounting

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

Measurement Focus

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

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2012

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Measurement Focus (Continued)

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

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

Basis of Accounting

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

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within 60 days after 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, 2012**

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 Position. 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, 2012

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 Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is shown below.

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

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2012**

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 \$144,783 for vested compensatory time at December 31, 2012.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2012**

1. Summary of Significant Accounting Policies (Continued)

K. Equity Classifications

Government-Wide Statements

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

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

Fund Statements

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

Nonspendable – includes amounts that cannot be spent because they are not in spendable form or they are legally or contractually required to be kept intact. The Township did not have any nonspendable fund balances at December 31, 2012.

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, 2012.

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, 2012**

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, 2012

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, 2012, are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash	\$ 2,324,382
Statement of Fiduciary Net Position:	
Cash	2,157,717
Investments	<u>12,453,782</u>
Total Cash and Investments	<u>\$ 16,935,881</u>

Cash and investments as of December 31, 2012, consist of the following:

Deposits with Financial Institutions	\$ 4,046,684
Money Market Funds	435,415
Investments	<u>12,453,782</u>
Total Cash and Investments	<u>\$ 16,935,881</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2012

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, 2012, \$3,920,795 of the Township's bank balance of \$4,170,795 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, 2012, the Township's investments consisted of the following:

Fiduciary Funds:	
Certificates of Deposit	\$ 965,000
Common Stocks	6,525,466
Mortgage and Asset-Backed Securities	1,096,693
Corporate Bonds	1,650,935
Mutual Funds	<u>2,215,688</u>
 Total Investments	 <u>\$ 12,453,782</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, 2012

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 \$435,415 are covered by Securities Investor Protection Corporation up to \$250,000. The certificates of deposit of \$965,000 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, 2012, the Township's investments were rated by Moody's as follows:

	<u>Fair Value</u>	<u>Rating</u>
Investments		
Federal Home Loan Bank	\$ 165,028	Aaa
Federal Farm Credit Bank	155,160	Aaa
Federal Home Loan Mortgage Association	230,413	Aaa
Federal National Mortgage Association	546,092	Aaa
Corporate Bonds	<u>1,650,935</u>	A1 – Baa2
Total Exposed to Credit Risk	2,747,628	
Not Rated**	<u>9,706,154</u>	
Total Investments	<u>\$ 12,453,782</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, 2012**

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 Total International Stock ETF	\$834,740
American Funds EuroPacific Growth	\$750,383

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, 2012, including the following:

<u>Remaining Maturities</u>	<u>Mortgage and Asset-Backed Securities</u>	<u>Corporate Bonds</u>
1 Year or Less	\$ 51,128	\$ 76,918
2 - 5 Years	185,144	737,406
5 - 10 Years	860,421	836,611
 Total	 <u>\$ 1,096,693</u>	 <u>\$ 1,650,935</u>

The Township's investments shown above have remaining maturity dates that range from the years 2013 to 2022. 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, other applicants and other municipalities. Escrow deposits of \$1,722,302 represent the net developer and other balances held at December 31, 2012.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2012**

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 \$1,126,872,280 for 2012. 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, 2012: general purposes, 2.95 mills; fire tax purposes, .620 mills; park and recreation, .220 mills; debt service, .555 mills.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2012

5. Capital Assets

Capital asset activity for the year ended December 31, 2012, was as follows:

	Balance 1/1/12	Additions	Disposals	Balance 12/31/12
Governmental Activities				
Assets Not Being Depreciated				
Land	\$ 8,687,686	\$ 0	\$ 4,280	\$ 8,683,406
Depreciable Assets				
Land Improvements	714,732	32,856	0	747,588
Buildings and Improvements	7,743,728	112,470	303,178	7,553,020
Park Equipment and Improvements	537,746	105,052	0	642,798
Equipment	367,515	7,119	8,123	366,511
Vehicles	1,855,705	54,124	67,365	1,842,464
Furniture and Fixtures	55,187	0	0	55,187
Infrastructure	20,923,999	1,297,582 *	78,231	22,143,350
Total at Historical Cost	40,886,298	1,609,203	461,177	42,034,324
Less Accumulated Depreciation				
Land Improvements	272,902	24,420	0	297,322
Buildings and Improvements	2,057,784	203,044	275,892	1,984,936
Park Equipment and Improvements	356,596	28,043	0	384,639
Equipment	191,794	30,576	7,897	214,473
Vehicles	1,097,418	157,617	66,556	1,188,479
Furniture and Fixtures	32,274	5,119	0	37,393
Infrastructure	9,974,722	498,390	42,469	10,430,643
Total Accumulated Depreciation	13,983,490	947,209	392,814	14,537,885
Total Governmental Activities Net Capital Assets	\$ 26,902,808	\$ 661,994	\$ 68,363	\$ 27,496,439
Business-Type Activities				
Pool	\$ 6,723,075	\$ 123,089	\$ 0	\$ 6,846,164
Less Accumulated Depreciation	779,238	176,560	0	955,798
Total Business-Type Net Capital Assets	\$ 5,943,837	\$ (53,471)	\$ 0	\$ 5,890,366

* Includes road dedication valued at \$589,974.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2012

5. Capital Assets (Continued)

Depreciation expense was charged to programs as follows:

Governmental Activities	
General Government	\$ 149,139
Police	88,402
Highway Maintenance	629,884
Parks	67,608
Code Enforcement	12,176
	<u>947,209</u>
Business-Type Activities	
Pool	<u>176,560</u>
Total Depreciation Expense	<u>\$ 1,123,769</u>

6. Long-Term Debt

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

	Balance 1/1/12	Proceeds	Principal Payments	Balance 12/31/12
Governmental Activities				
2003 General Obligation Note - Series A	\$ 918,000	\$ 17,000	\$ 141,000	\$ 794,000
2003 General Obligation Note - Series B	1,125,000	0	17,000	1,108,000
2011 General Obligation Note - Series B	745,000	0	0	745,000
Pennsylvania Infrastructure Loan	0	850,000	0	850,000
Business-Type Activities				
2006 General Obligation Note	2,160,000	0	105,000	2,055,000
2011 General Obligation Note - Series A	745,000	0	1,000	744,000
	<u>\$ 5,693,000</u>	<u>\$ 867,000</u>	<u>\$ 264,000</u>	<u>\$ 6,296,000</u>

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2012**

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 C) and entering into a fixed rate swap (see Note 13).

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.

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

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2012

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>12/31/12 Interest Rate</u>	<u>Interest</u>	<u>Total Debt Service</u>
Series A				
2013	\$ 150,000	1.60 – 4.499%	\$ 18,376	\$ 168,376
2014	154,000	1.60 – 4.499%	18,221	172,221
2015	159,000	1.60 – 4.499%	13,209	172,209
2016	164,000	1.60 – 4.499%	8,017	172,017
2017	167,000	1.60 – 4.499%	2,689	169,689
	<u>\$ 794,000</u>		<u>\$ 60,512</u>	<u>\$ 854,512</u>
Series B				
2013	\$ 0	1.60 – 4.575%	\$ 37,884	\$ 37,884
2014	0	1.60 – 4.575%	37,884	37,884
2015	0	1.60 – 4.575%	37,884	37,884
2016	0	1.60 – 4.575%	37,884	37,884
2017	0	1.60 – 4.575%	37,884	37,884
2018-2022	910,000	1.60 – 4.575%	113,869	1,023,869
2023	198,000	1.60 – 4.575%	3,412	201,412
	<u>\$ 1,108,000</u>		<u>\$ 306,701</u>	<u>\$ 1,414,701</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2012

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 C) 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.

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

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

Year	Principal	12/31/12 Interest Rate	Interest	Total Debt Service
2013	\$ 117,000	1.875 – 4.475%	\$ 69,247	\$ 186,247
2014	120,000	1.875 – 4.475%	65,289	185,289
2015	125,000	1.875 – 4.475%	61,200	186,200
2016	130,000	1.875 – 4.475%	56,924	186,924
2017	135,000	1.875 – 4.475%	52,461	187,461
2018-2022	738,000	1.875 – 4.475%	189,892	927,892
2023-2026	690,000	1.875 – 4.475%	53,244	743,244
	<u>\$ 2,055,000</u>		<u>\$ 548,257</u>	<u>\$ 2,603,257</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2012

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>12/31/12 Interest Rate</u>	<u>Interest</u>	<u>Total Debt Service</u>
Series A				
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	1,000	2.42%	17,896	18,896
2018-2022	5,000	2.42%	89,117	94,117
2023-2027	395,000	2.42%	70,361	465,361
2028-2030	339,000	2.42%	12,499	351,499
	<u>\$ 744,000</u>		<u>\$ 261,699</u>	<u>\$ 1,005,699</u>
Series B				
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	0	3.10%	23,095	23,095
2018-2022	0	3.10%	115,475	115,475
2023-2027	408,000	3.10%	90,334	498,334
2028-2030	337,000	3.10%	15,888	352,888
	<u>\$ 745,000</u>		<u>\$ 337,172</u>	<u>\$ 1,082,172</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2012

6. Long-Term Debt (Continued)

D. Pennsylvania Infrastructure Note

On November 20, 2012, the Township issued a General Obligation Note in the amount of \$850,000 with the Commonwealth of Pennsylvania Department of Transportation. The interest rate on this note is 1.625% per annum. Principal and interest payments are due semi-annually through December 2017, as shown below. These notes were issued for the purpose of repairing a structurally deficient bridge and repairing roads in the Township. 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.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 164,542	\$ 13,147	\$ 177,689
2014	167,227	10,462	177,689
2015	169,956	7,733	177,689
2016	172,728	4,961	177,689
2017	175,547	2,142	177,689
Total	<u>\$ 850,000</u>	<u>\$ 38,445</u>	<u>\$ 888,445</u>

E. Interest Expense

Interest expense during the year on all the above-noted long-term debt totaled \$200,541.

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 \$50,150 at December 31, 2012. At December 31, 2012, future lease payments are due as follows:

<u>Year</u>	<u>Amount</u>
2013	\$ 48,536
2014	31,742
	<u>80,278</u>
Less Interest Portion	<u>(5,086)</u>
	<u>\$ 75,192</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2012

8. Fund Balance Classifications

	General Fund	State Highway Aid Fund	Impact Fees Fund	Nonmajor Governmental Funds	Total
Restricted for:					
Capital Acquisition or Construction	\$ 0	\$ 0	\$ 640,874	\$ 0	\$ 640,874
Highway Improvements	0	327,457	0	0	327,457
Fire Protection	0	0	0	11,345	11,345
Debt Service	0	0	0	69,681	69,681
	<u>0</u>	<u>327,457</u>	<u>640,874</u>	<u>81,026</u>	<u>1,049,357</u>
Assigned for:					
Capital Acquisition or Construction	0	0	64,850	228,454	293,304
Fire Protection	0	0	0	10,932	10,932
Parks and Recreation	0	0	0	115,944	115,944
Community Pool Improvements	0	0	0	45,222	45,222
Community Recycling	0	0	0	152,473	152,473
Debt Service	0	0	0	601	601
	<u>0</u>	<u>0</u>	<u>64,850</u>	<u>553,626</u>	<u>618,476</u>
Unassigned	<u>743,889</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>743,889</u>
Total Fund Balances	<u>\$ 743,889</u>	<u>\$ 327,457</u>	<u>\$ 705,724</u>	<u>\$ 634,652</u>	<u>\$ 2,411,722</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2012

9. Interfund Transactions

Interfund transactions are as follows:

Purpose	Receivable Fund	Payable Fund	Amount
Due To/From			
Tax Revenues to be Distributed	Fire	General	\$2,564
Tax Revenues to be Distributed	Park & Recreation	General	\$5,803
Tax Revenues to be Distributed	Debt Service	General	\$6,757
Payroll to be Reimbursed	General	Park & Recreation	\$5,680
Payroll to be Reimbursed	General	Pool	\$18,065
Transfers			
Operating Expenses	Impact Fees	General	\$5,747
Operating Expenses	Pool & Open Space Reserve	Pool	\$9,565
To Set Up New Funds	Park & Recreation Reserve	Park & Recreation	\$50,459
To Set Up New Funds	Park & Recreation Reserve	Capital Reserve	\$68,564
Capital Purchases	Capital Reserve	General	\$17,000
Capital Purchases	Equipment Reserve	Fire	\$182,000
Capital Purchases	Pool	Pool & Open Space Reserve	\$117,863
Capital Purchases	Capital Reserve	Contribution	\$36,503
Debt Service	Pool	Debt Service	\$208,927

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, 2012**

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, 2012**

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 (2012):	\$2,759,264
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, 2012

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 (2012):	\$1,733,188
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, 2012

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 \$447,277 and \$166,737 for the year, respectively.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2012**

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			
12/31/10	\$351,857	100%	\$0
12/31/11	\$466,638	100%	\$0
12/31/12	\$447,277	100%	\$0
Non-Uniform Pension Plan			
12/31/10	\$136,245	100%	\$0
12/31/11	\$155,870	100%	\$0
12/31/12	\$166,737	100%	\$0

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2012

11. Defined Benefit Pension Plans (Continued)

D. Funding Status and Funding Progress

	(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						
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.

	Police	Non-Uniform
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, 2012**

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 68.

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, 2012, 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 a federal individual income tax return, without regard to any limitations imposed based on the adjusted gross income of an eligible retiree.

The plan became effective January 1, 2004. Currently, there are no retirees receiving benefits and 25 uniformed employees have received 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 2012, the Township contributed 1.5% of the salary of full-time, non-uniformed employees, or \$22,777. 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, 2012

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.

<u>Note</u>	<u>Principal</u>	<u>Interest Rate</u>
Series A		
2003, Note a	\$ 259,000	3.620%
2003, Note b	276,000	1.600%
2003, Note c	<u>259,000</u>	4.499%
Total	<u>\$ 794,000</u>	
Series B		
2003, Note a	\$ 375,000	4.000%
2003, Note b	358,000	1.600%
2003, Note c	<u>375,000</u>	4.575%
Total	<u>\$ 1,108,000</u>	

With the execution of the fixed rate swap agreement and in accordance with GASB No. 53, "Accounting and Financial Reporting for Derivative Instruments", the Township accounts for the interest rate swap as a hedging derivative. The swap agreement has been determined to be effectively hedged under both the consistent critical terms and quantitative methods standards of GASB 53. As such, the change in fair value of the swap agreement has been reflected as a deferred outflow of resources in the Statement of Net Position. The market value of the interest rate swap in favor of the Delaware Valley Regional Finance Authority as of December 31, 2012, was \$145,814 and is recorded in the governmental funds in the statement of net position.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2012**

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.

Note	Principal	Interest Rate
2006, Note a	\$ 685,000	3.950%
2006, Note b	685,000	1.875%
2006, Note c	685,000	4.475%
Total	<u>\$ 2,055,000</u>	

With the execution of the fixed rate swap agreement and in accordance with GASB No. 53, “Accounting and Financial Reporting for Derivative Instruments”, the Township accounts for the interest rate swap as a hedging derivative. The swap agreement has been determined to be effectively hedged under both the consistent critical terms and quantitative methods standards of GASB 53. As such, the change in fair value of the swap agreement has been reflected as a deferred outflow of resources in the Statement of Net Position. The market value of the interest rate swap in favor of the Delaware Valley Regional Finance Authority as of December 31, 2012, was \$170,729 and is recorded as a business-type activity in the statement of net position.

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, 2012

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	\$ 744,000	2.42%
2011, Series B	<u>745,000</u>	3.10%
Total	<u>\$ 1,489,000</u>	

With the execution of the fixed rate swap agreement and in accordance with GASB No. 53, "Accounting and Financial Reporting for Derivative Instruments", the Township accounts for the interest rate swap as a hedging derivative. The swap agreement has been determined to be effectively hedged under both the consistent critical terms and quantitative methods standards of GASB 53. As such, the change in fair value of the swap agreement has been reflected as a deferred outflow of resources in the Statement of Net Position. For Series A, the market value of the interest rate swap in favor of the Delaware Valley Regional Finance Authority as of December 31, 2012, was \$41,807 and is recorded in the business-type activity in the statement of net position. For Series B, the market value of the interest rate swap in favor of the Delaware Valley Regional Finance Authority as of December 31, 2012, was \$82,894 and is recorded in the governmental funds in the statement of net position.

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, 2011	\$ (163,587)	\$ (61,894)	\$ (225,481)	\$ (188,616)	\$ (35,568)	\$ (224,184)
Change in Fair Value	<u>17,773</u>	<u>(21,000)</u>	<u>(3,227)</u>	<u>17,887</u>	<u>(6,239)</u>	<u>11,648</u>
Fair Value of Derivative Instrument on December 31, 2012	<u>\$ (145,814)</u>	<u>\$ (82,894)</u>	<u>\$ (228,708)</u>	<u>\$ (170,729)</u>	<u>\$ (41,807)</u>	<u>\$ (212,536)</u>

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2012**

13. Derivative Instruments and Hedging Activities (Continued)

E. Risks

Credit Risk

At December 31, 2012, the Township is not exposed to credit risk on the interest rate swap because it is in a negative fair value or liability position. However, if interest rates change and the fair value become positive, the Township would have exposure to credit risk in the amount of the derivative's positive fair value.

Termination Risk

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

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.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2012**

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. Restatement of Beginning Net Assets

During the year it was discovered that the interest rate swaps in effective had been determined to be effective in the prior year, and therefore, the accumulated decrease in the fair market value of the derivative instruments should have been reflected in the statement of net position as a deferred outflow. Therefore, net position at December 31, 2011 was restated as shown below:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net Position, as Originally Stated at December 31, 2011	\$ 27,041,737	\$ 2,826,124
Adjustment to reflect accumulated decrease in fair value as deferred outflow	<u>\$225,481</u>	<u>\$224,184</u>
Net Position, as Retated at December 31, 2011	<u>\$ 27,267,218</u>	<u>\$ 3,050,308</u>

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2012**

17. Recent Accounting Pronouncements Issued, Not Yet Effective

GASB Statement No. 67, Financial Reporting for Pension Plans, will be effective for the Township for the year ending December 31, 2014. The objective of this statement is to improve financial reporting of governmental pension plans through enhanced note disclosure and required supplementary information. This statement replaces the requirements of Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 50, Pension Disclosures, as they relate to pension plans that are administered through trusts or equivalent arrangements.

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, will be effective for the Township for the year ending December 31, 2015. The objective of this statement is to require recognition of the entire net pension liability, a more comprehensive measure of pension expense, and to further expand note disclosure and required supplementary information. This statement replaces the requirements of GASB Statement #27, Accounting for Pensions by State and Local Governmental Employers.

The Township's Board of Commissioners and management have not yet determined the effect these Statements will have on the Township's financial statements.

18. Subsequent Events

Management has evaluated subsequent events through May 7, 2013, 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, 2012
(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 position available for benefits, actuarial accrued liability, and unfunded actuarial accrued liability can be misleading. Expressing the net position 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, 2012
(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				
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%
2012	\$447,277	\$268,472	\$178,805	100.0%
NON-UNIFORM PENSION PLAN				
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%
2012	\$166,737	\$70,182	\$96,555	100.0%

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
General Fund and State Highway Aid Fund
Year Ended December 31, 2012

	General Fund		
	<u>Original Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Taxes	\$ 5,566,460	\$ 5,761,196	\$ 194,736
Intergovernmental	404,940	427,129	22,189
Charges for Services	1,113,340	1,049,268	(64,072)
Fines, Licenses and Permits	401,220	424,777	23,557
Interest Income and Rents	20,400	16,363	(4,037)
Miscellaneous Revenues	117,000	197,813	80,813
Total Revenues	<u>7,623,360</u>	<u>7,876,546</u>	<u>253,186</u>
Expenditures			
General Government	1,018,410	1,077,122	(58,712)
Public Safety	3,838,667	3,833,830	4,837
Public Works	951,429	884,598	66,831
Debt Service - Principal	0	0	0
Debt Service - Interest	0	0	0
Capital Expenditures	0	62,261	(62,261)
Insurance and Employee Benefits	2,101,396	2,214,698	(113,302)
Miscellaneous Governmental	36,084	9,435	26,649
Total Expenditures	<u>7,945,986</u>	<u>8,081,944</u>	<u>(135,958)</u>
Deficiency of Revenues Over Expenditures	(322,626)	(205,398)	117,228
Other Financing Sources (Uses)			
Proceeds from Issuance of Long-Term Note	0	0	0
Operating Transfers In (Out)	(17,000)	(22,747)	(5,747)
Total Other Financing Sources (Uses)	<u>(17,000)</u>	<u>(22,747)</u>	<u>(5,747)</u>
Net Change in Fund Balances	(339,626)	(228,145)	111,481
Fund Balances			
Beginning of Year	<u>695,000</u>	<u>972,034</u>	<u>277,034</u>
End of Year	<u>\$ 355,374</u>	<u>\$ 743,889</u>	<u>\$ 388,515</u>

See Notes to Schedules of Budget to Actual Comparisons.

State Highway Aid Fund

<u>Original Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 0	\$ 0	\$ 0
336,180	355,870	19,690
0	0	0
0	0	0
1,000	1,121	121
0	0	0
<u>337,180</u>	<u>356,991</u>	<u>19,811</u>
0	0	0
0	0	0
509,500	600,604	(91,104)
91,000	42,446	48,554
0	6,090	(6,090)
747,389	689,287	58,102
0	0	0
0	0	0
<u>1,347,889</u>	<u>1,338,427</u>	<u>9,462</u>
(1,010,709)	(981,436)	29,273
850,000	850,000	0
0	0	0
<u>850,000</u>	<u>850,000</u>	<u>0</u>
(160,709)	(131,436)	29,273
<u>507,839</u>	<u>458,893</u>	<u>(48,946)</u>
<u>\$ 347,130</u>	<u>\$ 327,457</u>	<u>\$ (19,673)</u>

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Schedules of Budget to Actual Comparisons
December 31, 2012**

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 2012 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
Pool Fund
Year Ended December 31, 2012

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenues			
Charges for Services	\$ 734,660	\$ 684,484	\$ (50,176)
Rental Fees	0	200	200
Miscellaneous	6,860	3,125	(3,735)
Total Operating Revenues	<u>741,520</u>	<u>687,809</u>	<u>(53,711)</u>
Operating Expenses			
Salaries and Benefits	413,520	456,938	(43,418)
Depreciation	0	176,560	(176,560)
Snack Bar	58,000	75,517	(17,517)
Utilities	45,100	50,169	(5,069)
Repairs and Maintenance	39,400	47,882	(8,482)
Pool Supplies	47,640	40,328	7,312
Office Supplies and Expenses	11,700	13,166	(1,466)
Other Expenses	25,000	12,464	12,536
Uniforms	6,000	9,347	(3,347)
Total Operating Expenses	<u>646,360</u>	<u>882,371</u>	<u>(236,011)</u>
Operating Income (Loss) Before Nonoperating Revenues	<u>95,160</u>	<u>(194,562)</u>	<u>(289,722)</u>
Nonoperating Revenues (Expenses)			
Interest Income	240	218	(22)
Interest Expense	0	(102,568)	(102,568)
Transfers from Other Funds	(80,000)	317,225	397,225
Total Nonoperating Revenue (Expenses)	<u>(79,760)</u>	<u>214,875</u>	<u>294,635</u>
Change in Net Assets	15,400	20,313	4,913
Fund Balances			
Beginning of Year	<u>19,000</u>	<u>3,050,308</u>	<u>3,031,308</u>
End of Year	<u>\$ 34,400</u>	<u>\$ 3,070,621</u>	<u>\$ 3,036,221</u>

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2012**

	<u>Fire Fund</u>	<u>Park and Recreation Fund</u>	<u>Capital Reserve Fund</u>
Assets			
Cash and Cash Equivalents	\$ 19,463	\$ 20,787	\$ 33,551
Taxes Receivable	24,327	10,701	0
Due from (to) Other Funds	<u>2,564</u>	<u>123</u>	<u>0</u>
Total Assets	<u><u>\$ 46,354</u></u>	<u><u>\$ 31,611</u></u>	<u><u>\$ 33,551</u></u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable and Accrued Expenses	\$ 0	\$ 0	\$ 0
Accrued Wages and Payroll Taxes	<u>0</u>	<u>9,339</u>	<u>0</u>
Total Liabilities	<u>0</u>	<u>9,339</u>	<u>0</u>
Deferred Inflows of Resources			
Deferred Tax Receipts	<u>24,077</u>	<u>10,524</u>	<u>0</u>
Fund Balances			
Restricted	11,345	0	0
Assigned	<u>10,932</u>	<u>11,748</u>	<u>33,551</u>
Total Fund Balances	<u>22,277</u>	<u>11,748</u>	<u>33,551</u>
Total Liabilities and Fund Balances	<u><u>\$ 46,354</u></u>	<u><u>\$ 31,611</u></u>	<u><u>\$ 33,551</u></u>

<u>Contribution Fund</u>	<u>Pool and Open Space Fund</u>	<u>Park and Recreation Reserve Fund</u>	<u>Equipment Reserve Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 152,473	\$ 45,222	\$ 104,196	\$ 194,903	\$ 64,521	\$ 635,116
0	0	0	0	26,826	61,854
0	0	0	0	6,757	9,444
<u>\$ 152,473</u>	<u>\$ 45,222</u>	<u>\$ 104,196</u>	<u>\$ 194,903</u>	<u>\$ 98,104</u>	<u>\$ 706,414</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,443	\$ 1,443
0	0	0	0	0	9,339
0	0	0	0	1,443	10,782
0	0	0	0	26,379	60,980
0	0	0	0	69,681	81,026
152,473	45,222	104,196	194,903	601	553,626
<u>152,473</u>	<u>45,222</u>	<u>104,196</u>	<u>194,903</u>	<u>70,282</u>	<u>634,652</u>
<u>\$ 152,473</u>	<u>\$ 45,222</u>	<u>\$ 104,196</u>	<u>\$ 194,903</u>	<u>\$ 98,104</u>	<u>\$ 706,414</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended December 31, 2012

	Fire Fund	Park and Recreation Fund	Capital Reserve Fund
Revenues			
Taxes	\$ 515,345	\$ 185,217	\$ 0
Intergovernmental	0	0	0
Charges for Services	0	63,796	0
Interest Income and Rents	434	21,062	266
Miscellaneous Revenues	0	27,377	0
Total Revenues	<u>515,779</u>	<u>297,452</u>	<u>266</u>
Expenditures			
General Government	0	0	8,056
Public Safety	322,000	0	10,638
Public Works	0	0	0
Parks and Recreation	0	287,277	18,640
Debt Service - Principal	0	0	0
Debt Service - Interest	0	0	0
Capital Expenditures	0	16,476	110,750
Total Expenditures	<u>322,000</u>	<u>303,753</u>	<u>148,084</u>
Excess (Deficiency) of Revenues Over Expenditures	193,779	(6,301)	(147,818)
Other Financing Sources (Uses)			
Operating Transfers In (Out)	<u>(182,000)</u>	<u>(50,459)</u>	<u>(15,061)</u>
Net Change in Fund Balances	11,779	(56,760)	(162,879)
Fund Balances			
Beginning of Year	<u>10,498</u>	<u>68,508</u>	<u>196,430</u>
End of Year	<u>\$ 22,277</u>	<u>\$ 11,748</u>	<u>\$ 33,551</u>

Contribution Fund	Pool and Open Space Fund	Park and Recreation Reserve Fund	Equipment Reserve Fund	Debt Service Fund	Total Nonmajor Governmental Funds
\$ 0	\$ 0	\$ 0	\$ 0	\$ 463,681	\$ 1,164,243
98,363	0	69,000	0	0	167,363
0	0	0	0	0	63,796
495	218	260	432	171	23,338
29,725	0	19,300	0	30,000	106,402
<u>128,583</u>	<u>218</u>	<u>88,560</u>	<u>432</u>	<u>493,852</u>	<u>1,525,142</u>
0	0	0	0	0	8,056
0	0	0	2,529	0	335,167
35,097	0	0	0	0	35,097
13,677	6,617	0	0	0	326,211
0	0	0	0	141,000	141,000
0	0	0	0	97,973	97,973
37,068	0	103,387	0	0	267,681
<u>85,842</u>	<u>6,617</u>	<u>103,387</u>	<u>2,529</u>	<u>238,973</u>	<u>1,211,185</u>
42,741	(6,399)	(14,827)	(2,097)	254,879	313,957
<u>(36,503)</u>	<u>(108,298)</u>	<u>119,023</u>	<u>182,000</u>	<u>(208,927)</u>	<u>(300,225)</u>
6,238	(114,697)	104,196	179,903	45,952	13,732
<u>146,235</u>	<u>159,919</u>	<u>0</u>	<u>15,000</u>	<u>24,330</u>	<u>620,920</u>
<u>\$ 152,473</u>	<u>\$ 45,222</u>	<u>\$ 104,196</u>	<u>\$ 194,903</u>	<u>\$ 70,282</u>	<u>\$ 634,652</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue and Nonmajor Capital Project Funds
Year Ended December 31, 2012

	Special Revenue		
	Fire Fund		
	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 423,500	\$ 515,345	\$ 91,845
Intergovernmental	0	0	0
Charges for Services	0	0	0
Interest Income and Rents	500	434	(66)
Miscellaneous Revenues	0	0	0
Total Revenues	<u>424,000</u>	<u>515,779</u>	<u>91,779</u>
Expenditures			
General Government	0	0	0
Public Safety	245,000	322,000	(77,000)
Public Works	0	0	0
Parks and Recreation	0	0	0
Capital Expenditures	0	0	0
Total Expenditures	<u>245,000</u>	<u>322,000</u>	<u>(77,000)</u>
Excess (Deficiency) of Revenues Over Expenditures	179,000	193,779	14,779
Other Financing Sources (Uses)			
Operating Transfers In (Out)	<u>(182,000)</u>	<u>(182,000)</u>	<u>0</u>
Net Change in Fund Balances	(3,000)	11,779	14,779
Fund Balances			
Beginning of Year	<u>3,394</u>	<u>10,498</u>	<u>7,104</u>
End of Year	<u>\$ 394</u>	<u>\$ 22,277</u>	<u>\$ 21,883</u>

Funds			Capital Project Fund		
Park and Recreation Fund			Capital Reserve Fund		
<u>Original Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Original Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 187,040	\$ 185,217	\$ (1,823)	\$ 0	\$ 0	\$ 0
600	0	(600)	0	0	0
71,140	63,796	(7,344)	0	0	0
20,040	21,062	1,022	840	266	(574)
27,990	27,377	(613)	30,000	0	(30,000)
<u>306,810</u>	<u>297,452</u>	<u>(9,358)</u>	<u>30,840</u>	<u>266</u>	<u>(30,574)</u>
0	0	0	0	8,056	(8,056)
0	0	0	0	10,638	(10,638)
0	0	0	0	0	0
306,255	287,277	18,978	0	18,640	(18,640)
0	16,476	(16,476)	63,600	110,750	(47,150)
<u>306,255</u>	<u>303,753</u>	<u>2,502</u>	<u>63,600</u>	<u>148,084</u>	<u>(84,484)</u>
555	(6,301)	(6,856)	(32,760)	(147,818)	(115,058)
<u>(50,000)</u>	<u>(50,459)</u>	<u>(459)</u>	<u>(51,564)</u>	<u>(15,061)</u>	<u>36,503</u>
(49,445)	(56,760)	(7,315)	(84,324)	(162,879)	(78,555)
<u>76,700</u>	<u>68,508</u>	<u>(8,192)</u>	<u>185,000</u>	<u>196,430</u>	<u>11,430</u>
<u>\$ 27,255</u>	<u>\$ 11,748</u>	<u>\$ (15,507)</u>	<u>\$ 100,676</u>	<u>\$ 33,551</u>	<u>\$ (67,125)</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
Nonmajor Capital Project Fund
Year Ended December 31, 2012

	Park and Recreation Reserve Fund		
	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Intergovernmental	\$ 90,100	\$ 69,000	\$ (21,100)
Interest Income and Rents	100	260	160
Miscellaneous Revenues	33,100	19,300	(13,800)
Total Revenues	123,300	88,560	(34,740)
Expenditures			
Capital Expenditures	45,600	103,387	(57,787)
Excess (Deficiency) of Revenues Over Expenditures	77,700	(14,827)	(92,527)
Other Financing Sources (Uses)			
Operating Transfers In (Out)	79,885	119,023	39,138
Net Change in Fund Balances	157,585	104,196	(53,389)
Fund Balances			
Beginning of Year	0	0	0
End of Year	\$ 157,585	\$ 104,196	\$ (53,389)

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
Debt Service Fund
Year Ended December 31, 2012

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenues			
Taxes	\$ 465,992	\$ 463,681	\$ (2,311)
Interest Income and Rents	600	171	(429)
Miscellaneous Revenues	30,000	30,000	0
Total Revenues	<u>496,592</u>	<u>493,852</u>	<u>(2,740)</u>
Expenditures			
Debt Service - Principal	241,000	141,000	100,000
Debt Service - Interest	221,000	97,973	123,027
Total Expenditures	<u>462,000</u>	<u>238,973</u>	<u>223,027</u>
Excess of Revenues Over Expenditures	34,592	254,879	220,287
Other Financing Sources (Uses)			
Operating Transfers In (Out)	<u>0</u>	<u>(208,927)</u>	<u>(208,927)</u>
Net Change in Fund Balances	34,592	45,952	11,360
Fund Balances			
Beginning of Year	<u>27,000</u>	<u>24,330</u>	<u>(2,670)</u>
End of Year	<u>\$ 61,592</u>	<u>\$ 70,282</u>	<u>\$ 8,690</u>